

Board of Cooperative Educational Services of Nassau County

**Financial Statements
As of and for the Year Ended June 30, 2017
Together with
Independent Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT.....	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management’s discussion and analysis (UNAUDITED)	3-14
BASIC FINANCIAL STATEMENTS	
Statement of net position	15
Statement of activities.....	16
Balance sheet – Governmental funds and reconciliation of total governmental fund balance to government-wide net position..... ..	17-18
Statement of revenue, expenditures, and changes in fund balances – Governmental funds	19
Reconciliation of the statement of revenue, expenditure, and changes in fund balance to the statement of activities	20
Statement of net position - Fiduciary funds	21
Statement of change in net position - Fiduciary funds	21
Notes to the financial statements	22-48
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and changes in fund balance – Budget and actual - General fund	49
Schedule of funding progress – other post-employment benefit plan.....	50
Schedule of proportionate share of net pension liability (asset)	51
Schedule of contributions – pension plans.....	52
SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of A431 and A380 School District Account	53
Schedule of project expenditures – Capital Projects Fund	54
Schedule of change from original budget to revised budget – General fund.....	55
Schedule of net investment in capital assets	56

CONTENTS (Continued)

	<u>Page</u>
Independent Auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	57-58

INDEPENDENT AUDITOR'S REPORT

September 26, 2017

To the Board of Education of
Board of Cooperative Educational Services of Nassau County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services of Nassau County (the BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the BOCES as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress – other post-employment benefits plan, proportionate share of net pension liability (asset) and contributions – pension plans 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.

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 supplementary information as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2017

The following is a discussion and analysis of the Board of Cooperative Educational Services of Nassau County (the "BOCES") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the BOCES-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

Key financial highlights for the 2016-2017 fiscal year are as follows:

- The BOCES' total net position decreased by 30% or \$45,406,440 as reflected in the Entity-Wide Financial Statements for the fiscal year due in large part to the increase of \$49,630,470 in the net other post-employment benefits obligation (OPEB) as required by Governmental Accounting Standards Board (GASB) Statement 45.
- On the Entity-Wide Financial Statements, revenues increased 6.4%, over the prior year. The increase is the result of greater enrollment in Special Education programs and additional district requests for other technology projects and support services.
- On the Entity-Wide Financial Statements, expenses increased by 11.0% over the prior year. The overall increase in expenses is due to the net other post-employment benefits obligation (OPEB).
- The BOCES served approximately 1,425 students in its Career and Technical Education program, 1,587 children in Special Education, and 22 students in its alternative high school programs located at the Joseph M. Barry Career and Technical Education facility, 126 half-day students the Long Island High School for the Arts which is a specialized high school dedicated to students gifted and talented in the arts and sciences and about 525 students at district-based alternative high school programs. However, many more students are reached through instructional programs arranged through their home schools - for example, approximately 22,500 students attend Nassau BOCES outdoor education programs.
- The BOCES serves learners of all ages and operates one of the few publicly run preschool programs in New York State. The BOCES preschool program served approximately 117 special needs preschoolers during the 2016-2017 fiscal year. The BOCES runs its preschool programs at Barry Tech and the Carman Road School. The BOCES also runs an adult learning center that offers programs in English as a second language, adult basic education, English and Spanish high school equivalency preparation. The adult learning center provides services to more than 1,000 adult students each year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *BOCES-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 BOCES-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.

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

Figure A-1 Organization of the District's Annual Financial Report

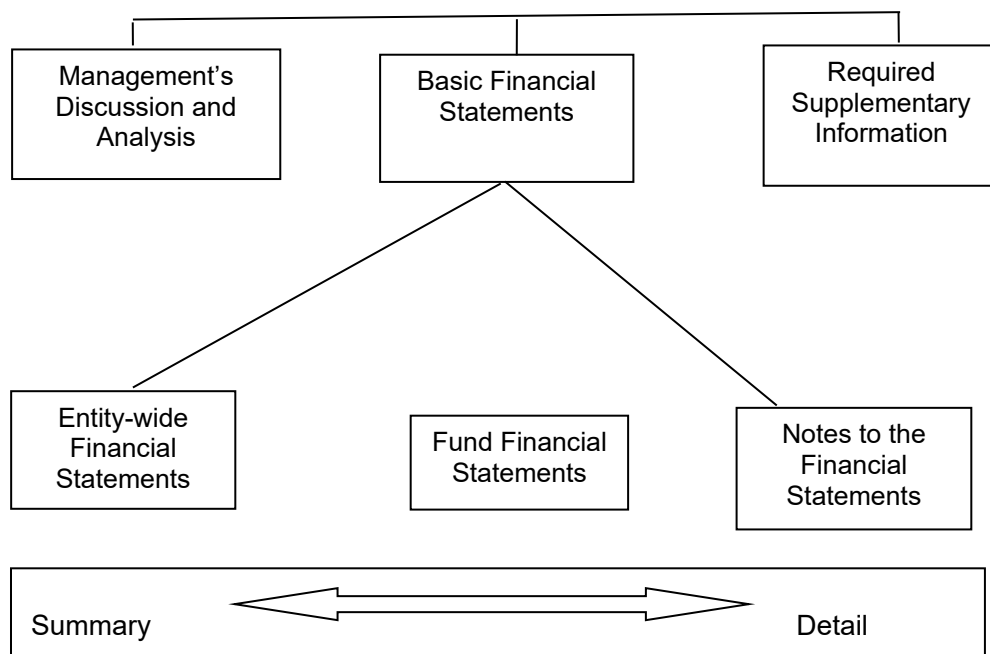


Figure A-2 summarizes the major features of the BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 Major Features of the BOCES-Wide and Fund Financial Statements

	BOCES-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or 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
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, 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.

BOCES-Wide Statements

The BOCES-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the BOCES assets 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 BOCES-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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

BOCES-Wide Statements (Continued)

- To assess the BOCES overall health, you need to consider additional nonfinancial factors, such as 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.

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:
 - Investment in capital assets.
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements

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

The BOCES has two kinds of funds:

- *Governmental Funds*: Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are greater 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 BOCES-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, debt service fund and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- *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 BOCES-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)

	(In Thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percent Change
Current and other assets	\$ 140,303	\$ 171,123	\$ (30,820)	-18.0%
Non-current assets	140,463	191,818	(51,355)	-26.8%
Deferred outflows of resources	77,746	49,572	28,174	56.8%
Total assets and deferred outflows of resources	<u>\$ 358,512</u>	<u>\$ 412,513</u>	<u>\$ (54,001)</u>	-13.1%
Current liabilities	\$ 74,228	\$ 99,494	\$ (25,266)	-25.4%
Long-term liabilities	475,709	439,915	35,794	8.1%
Deferred inflows of resources	5,251	24,375	(19,124)	-78.5%
Total liabilities and deferred inflows of resources	<u>\$ 555,188</u>	<u>\$ 563,784</u>	<u>\$ (8,596)</u>	-1.5%
Net position:				
Investment in capital assets	91,293	\$ 77,831	\$ 13,462	17.3%
Restricted	42,006	37,375	4,631	12.4%
Unrestricted	(329,976)	(266,476)	(63,500)	23.8%
Total net position	<u>\$ (196,677)</u>	<u>\$ (151,270)</u>	<u>\$ (45,407)</u>	30.0%

Changes in Net Position

Net position decreased to (\$196,676,391) for the year ended June 30, 2017, down \$45,406,440 from the (\$151,269,951) balance for 2016. This resulted primarily from the increase in the other post-employment benefits liability of \$49,630,470 in compliance with GASB 45.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

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

	(In Thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percent Change
<u>Revenue</u>				
Program revenue:				
Charges for services	\$ 368,634	\$ 346,005	\$ 22,629	6.5%
Operating grants and contributions	13,136	13,110	26	0.2%
General revenue:				
Use of money and property	83	73	10	13.7%
Sale of property and compensation for loss	384	289	95	32.9%
Miscellaneous	5,140	4,657	483	10.4%
Total revenue	<u>387,377</u>	<u>364,134</u>	<u>23,243</u>	6.4%
<u>Expenses</u>				
Instruction	247,655	228,808	18,847	8.2%
Administration	30,921	27,741	3,180	11.5%
Itinerant services	612	288	324	112.5%
Instruction support	65,577	56,758	8,819	15.5%
Other services	68,872	59,874	8,998	15.0%
Food services	1,632	1,575	57	3.6%
Debt Service Interest	1,073	1,420	(347)	-24.4%
Depreciation- Unallocated	5,324	5,114	210	4.1%
Surplus available for distribution	11,117	8,364	2,753	32.9%
Total expenses	<u>432,783</u>	<u>389,942</u>	<u>42,841</u>	11.0%
Decrease in net position	<u>\$ (45,406)</u>	<u>\$ (25,808)</u>	<u>\$ (19,598)</u>	75.9%

The BOCES 2017 revenue was \$387,376,963 compared to the previous year of \$364,134,631 (see Figure A-4). Charges for services and operating grants accounted for most of the BOCES' revenue by contributing approximately 95% and 3%, respectively, of total revenue. (See Figure A-5). The remainder came from investment earnings and miscellaneous revenue.

The total cost of all programs and services totaled \$432,783,403 for 2017, compared to \$389,941,715 in the previous year. These expenses are predominantly related to general instruction (instruction and instructional support) which accounts for approximately 74.3% of BOCES expenses. (See Figure A-6). The BOCES' administration activities accounted for approximately 7.3% of total costs.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Figure A-5: Revenue Sources

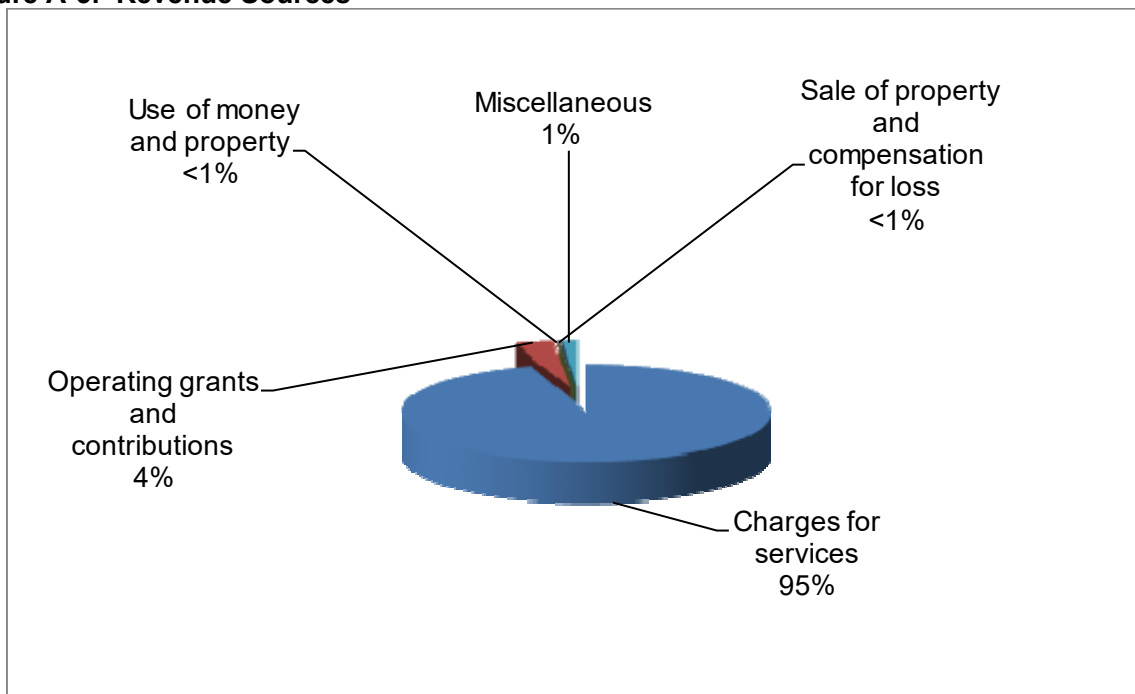
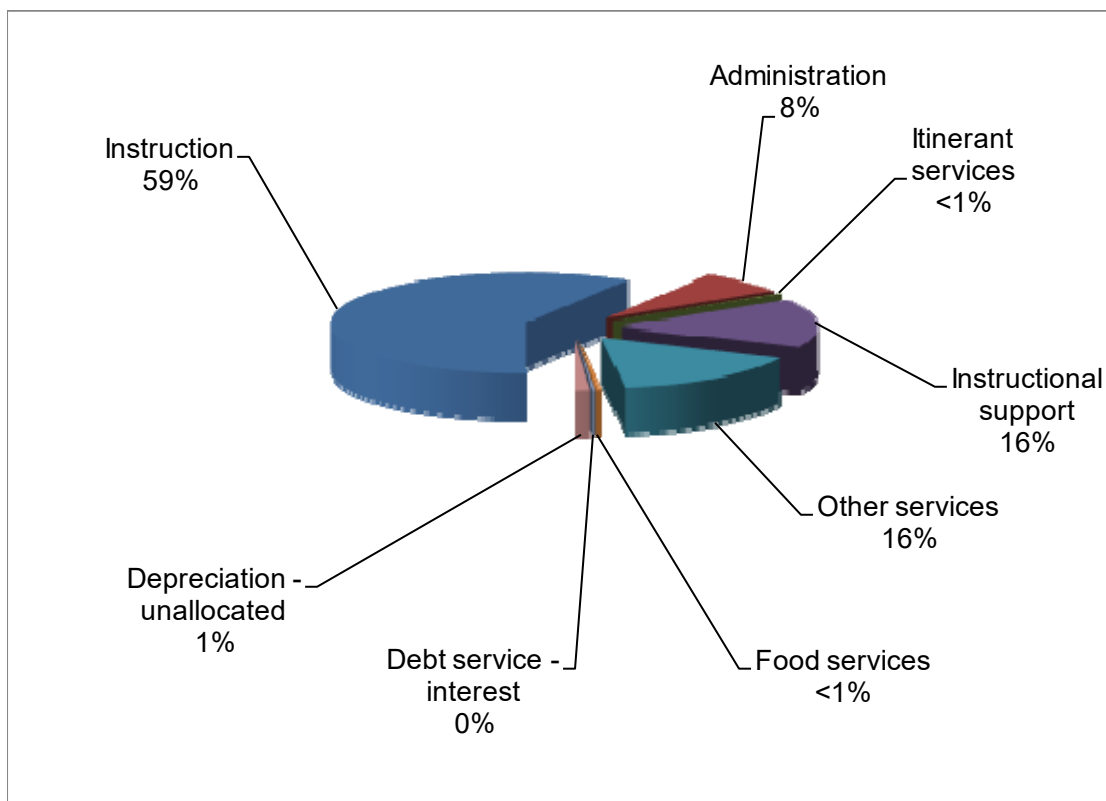


Figure A-6: Sources of Expenses



GOVERNMENTAL ACTIVITIES

Revenues for the BOCES' governmental activities totaled \$387,376,963 while total expenses equaled \$432,783,403. Actual expenses exceeded revenue. This resulted primarily from the BOCES recognizing an increase in the other post-employment benefits liability of \$49,630,470 in compliance with GASB 45. The overall good financial condition of the BOCES, as a whole, can be attributed to:

- Continued leadership of the BOCES' Board and administration;
- Approval of the BOCES proposed annual budget;
- Continued availability of BOCES aid to component districts;
- Continued investment in the BOCES' facilities and educational centers.

Table A-7 presents the cost of major BOCES activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden/surplus generated by each of these functions.

Table A-7: Net Cost of Governmental Activities

(In Thousands)				
	Total cost of services		Net cost of services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instruction	\$ 247,655	\$ 228,808	\$ (18,774)	\$ (13,419)
Administration	30,921	27,741	(258)	1,041
Itinerant services	612	288	(201)	98
Instruction support	65,577	56,758	(10,802)	(5,203)
Other services	68,872	59,874	(2,711)	2,318
Food services	1,632	1,575	(754)	(764)
Debt service - interest	1,073	1,420	(1,073)	(1,420)
Depreciation - unallocated	5,324	5,114	(5,324)	(5,114)
Surplus available for distribution	11,117	8,364	(11,117)	(8,364)
Total	<u>\$ 432,783</u>	<u>\$ 389,942</u>	<u>\$ (51,014)</u>	<u>\$ (30,827)</u>

The cost of all governmental activities this year was \$432,783,403. (Statement of Activities, Expenses column)

- The users of the BOCES' programs financed most of the cost with revenues of \$368,633,861. (Statement of Activities, Charges For Services column)
- The federal, state and local governments subsidized certain programs with grants of \$13,135,886. (Statement of Activities, Operating Grants column)

FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the BOCES-wide financial statements. The 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.

As of June 30, 2017, the BOCES' combined governmental funds reported a total fund balance of \$75,002,033; a decrease of \$4,050,422 from the prior year. This decrease is primarily due to the purchase of the Carman Road School through the Capital Projects Fund.

A summary of the change in fund balance for all funds is as follows:

(In Thousands)				
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percent Change
<u>General Fund</u>				
Restricted for employee benefit accrued liability	\$ 6,759	\$ 7,041	\$ (282)	-4.0%
Restricted for career education instructional equipment	1,888	1,505	383	25.4%
Restricted for liability and property loss	1,659	985	674	68.4%
Restricted for unemployment insurance	301	610	(309)	-50.7%
Restricted for retirement contribution	25,152	25,119	33	0.1%
Assigned for administration	64	95	(31)	-32.9%
Assigned for occupational instruction	39	58	(19)	-32.1%
Assigned for instruction for handicapped	439	459	(20)	-4.3%
Assigned for internet services	1	-	1	100.0%
Assigned for general instruction	303	72	231	320.3%
Assigned for general support	1,250	1,982	(732)	-36.9%
Assigned for other services	1,978	2,134	(156)	-7.3%
Assigned for athletics	30	93	(63)	-67.9%
Total fund balance - General Fund	<u>\$ 39,863</u>	<u>\$ 40,153</u>	<u>\$ (290)</u>	-0.7%

Changes in the restricted amount in the general fund are discussed further in Management Discussion and Analysis, Financial Analysis of the BOCES as a Whole.

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

	(In Thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percent Change
<u>School Lunch Fund</u>				
Nonspendable - inventory	\$ 19	\$ 25	\$ (6)	-24.0%
Assigned	<u>107</u>	<u>101</u>	<u>6</u>	5.9%
Total fund balance - School Lunch Fund	<u>\$ 126</u>	<u>\$ 126</u>	<u>\$ -</u>	0.0%
<u>Debt Service Fund</u>				
Restricted	\$ 3,650	\$ 4,372	\$ (722)	-16.5%
Total fund balance - Debt Service Fund	<u>\$ 3,650</u>	<u>\$ 4,372</u>	<u>\$ (722)</u>	-16.5%
<u>Capital Projects Fund</u>				
Restricted	\$ 2,597	\$ 2,589	\$ 8	0.3%
Assigned	<u>28,766</u>	<u>31,813</u>	<u>(3,047)</u>	-9.6%
Total fund balance - Capital Projects Fund	<u>\$ 31,363</u>	<u>\$ 34,402</u>	<u>\$ (3,039)</u>	-8.8%
Total Fund Balance - all funds	<u>\$ 75,002</u>	<u>\$ 79,053</u>	<u>\$ (4,051)</u>	-5.1%

The debt service fund balance decreased by \$721,925 to \$3,650,005 as of year-end. The fund balance represents the balance required by DASNY for the 2009 and 2011 series bonds plus accrued earnings on investments through June 30, 2017.

The capital projects fund balance decreased by \$3,039,853 to \$31,362,737 as of year-end. The decrease is mainly the result of the use of funds on various capital projects.

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

Capital Assets

As of June 30, 2017, the BOCES had \$129,523,169 invested in a broad range of capital assets including land, buildings, machinery, equipment and vehicles.

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

	(In Thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percent Change
Land	\$ 9,236	\$ 9,236	\$ -	0.0%
Buildings and improvements	109,776	87,989	21,787	24.8%
Infrastructure	1,851	2,036	(185)	-9.1%
Equipment and furniture	8,661	21,912	(13,251)	-60.5%
Total	<u>\$ 129,523</u>	<u>\$ 121,172</u>	<u>\$ 8,351</u>	6.9%

The BOCES spent \$13,124,492 during the year in the capital projects fund on the purchase of a building, improvements and equipment purchases. The capital projects fund has a fund balance of \$31,362,737 of fund balance. A detail of all capital projects and fund balance can be found on Supplemental Schedule #6.

Long-Term Debt

At June 30, 2017, the BOCES had total bonds payable of \$27,290,000 and installment purchase debt payable in the amount of \$10,939,820. The bonds were issued for entity-wide projects and the installment debt was issued for equipment purchases. The decrease in outstanding debt reflects the current year principal payments. The decrease in installment debt represents new debt issued, offset by current year principal payments.

More detailed information on the BOCES long-term obligations is presented in Note 8. A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

	(In Thousands)		
Category	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)
Installment purchase agreements	\$ 10,940	\$ 12,446	\$ (1,506)
Unamortized bond premium	990	1,230	(240)
NYS Dormitory Authority bonds	27,290	30,895	(3,605)
Total	<u>\$ 39,220</u>	<u>\$ 44,571</u>	<u>\$ (5,351)</u>

FACTORS BEARING ON THE BOCES' FUTURE

The general fund budget for the 2017-2018 fiscal year was approved for the amount of \$335,947,716. This is an increase of \$15,344,902 or 4.78% from the previous year's original budget. The increase was primarily due to increases in the Special Education, and the Curriculum, Instruction and Technology budgets.

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:

Board of Cooperative Educational Services of Nassau County
Mr. James Widmer
Associate Superintendent for Business Services
71 Clinton Road
Garden City, New York 11530-4757
(516) 396-2214

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash Unrestricted	\$ 1,741,926
Cash Restricted	58,248,965
Investments - restricted	6,247,208
Due from school districts	28,198,457
Due from fiduciary funds	5,187,309
State and federal aid receivable	38,968,077
Due from other governments	49,946
Accounts receivable	1,264,480
Prepaid Expenditures	377,703
Inventories	19,176

Total current assets 140,303,247

NONCURRENT ASSETS:

Due from school districts - installment purchase debt	10,939,820
Capital assets, net of accumulated depreciation	129,523,169

Total non current assets 140,462,989

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - bond refunding	418,650
Deferred outflows of resources - pensions ERS	19,022,181
Deferred outflows of resources - pensions TRS	58,304,852

Total deferred outflows of resources 77,745,683

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 358,511,919

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable	\$ 10,082,987
Accrued liabilities	3,318,375
Accrued interest	495,612
Due to other governments	-
Due to School Districts	36,198,872
Due to Teachers' Retirement System	10,869,100
Due To Employee Retirement System	3,506,016
Unearned Revenue	1,085,013
Revenue Anticipation Note Payable	-
Short term portion of long term debt	8,671,643

Total current liabilities 74,227,618

LONG-TERM LIABILITIES:

Compensated absences payable	6,765,540
Installment purchase agreements	5,979,904
Unamortized bond premium	989,835
NYS Dormitory Authority debt	24,330,000
Net pension liability - ERS	20,729,398
Net pension liability - TRS	5,846,293
Other postemployment benefits	411,068,421

Total long-term liabilities 475,709,391

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions ERS	3,294,857
Deferred inflows of resources - pensions TRS	1,956,444

Total deferred inflows of resources 5,251,301

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 555,188,310

NET POSITION

Net investment in capital assets	91,293,349
Restricted	42,005,773
Unrestricted net position	(329,975,513)

TOTAL NET POSITION \$ (196,676,391)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

		Program Revenue		Net (Expense)
		Charges for	Operating	Revenue and
	<u>Expenses</u>	<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS:				
Instruction:				
General instruction	\$ 21,544,674	\$ 20,259,230	\$ 286,165	\$ (999,279)
Occupational instruction	23,685,270	22,347,464	1,011,840	(325,966)
Instruction for special needs	<u>202,425,024</u>	<u>177,554,025</u>	<u>7,422,738</u>	<u>(17,448,261)</u>
Total Instruction	247,654,968	220,160,719	8,720,743	(18,773,506)
Support services:				
Administration	30,921,129	30,663,456	-	(257,673)
Itinerant services	611,674	410,740	-	(200,934)
Instruction support	65,577,459	52,577,366	2,197,788	(10,802,305)
Other services	68,872,139	64,723,889	1,437,237	(2,711,013)
Food services	1,631,676	97,691	780,118	(753,867)
Debt service - interest	1,073,451	-	-	(1,073,451)
Depreciation - unallocated	<u>5,323,902</u>	<u>-</u>	<u>-</u>	<u>(5,323,902)</u>
Total support services	174,011,430	148,473,142	4,415,143	(21,123,145)
Surplus available for distribution	<u>11,117,005</u>	<u>-</u>	<u>-</u>	<u>(11,117,005)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 432,783,403</u>	<u>\$ 368,633,861</u>	<u>\$ 13,135,886</u>	<u>\$ (51,013,656)</u>
GENERAL REVENUE:				
Use of money and property				\$ 83,372
Sale of property and compensation for loss				383,488
Miscellaneous				<u>5,140,356</u>
TOTAL GENERAL REVENUE				<u>5,607,216</u>
CHANGE IN NET POSITION				(45,406,440)
TOTAL NET POSITION - beginning of year				<u>(151,269,951)</u>
TOTAL NET POSITION - end of year				<u>\$ (196,676,391)</u>

The accompanying notes are an integral part of these statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

	Governmental Fund Types					Total
	General	Special Aid	School Lunch	Debt Service	Capital Projects	Governmental Funds
ASSETS						
Cash - Unrestricted	\$ -	\$ 1,553,618	\$ 188,308	\$ -	\$ -	\$ 1,741,926
Cash - Restricted	29,089,388	-	-	-	29,159,577	58,248,965
Investments - Restricted	-	-	-	3,650,005	2,597,203	6,247,208
Accounts receivable	1,054,851	209,485	144	-	-	1,264,480
Due from school districts	24,760,615	3,437,842	-	-	-	28,198,457
Due from other funds	12,044,311	-	-	-	-	12,044,311
State and federal aid	36,198,872	2,703,974	65,231	-	-	38,968,077
Due from other governments	49,946	-	-	-	-	49,946
Prepaid Expenditures	377,703	-	-	-	-	377,703
Inventory	-	-	19,176	-	-	19,176
TOTAL ASSETS	\$ 103,575,686	\$ 7,904,919	\$ 272,859	\$ 3,650,005	\$ 31,756,780	\$ 147,160,249
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 9,925,419	\$ 154,900	\$ 2,668	\$ -	\$ -	\$ 10,082,987
Accrued liabilities	2,831,796	88,578	17,978	-	380,023	3,318,375
Due to other governments	-	-	-	-	-	-
State aid due to school districts	36,198,872	-	-	-	-	36,198,872
Due to other funds	-	6,716,816	126,166	-	14,020	6,857,002
Due to TRS	10,869,100	-	-	-	-	10,869,100
Due to ERS	3,506,016	-	-	-	-	3,506,016
Unearned revenues	140,388	944,625	-	-	-	1,085,013
Revenue Anticipation Notes Payable	-	-	-	-	-	-
Compensated Absences	240,851	-	-	-	-	240,851
TOTAL LIABILITIES	63,712,442	7,904,919	146,812	-	394,043	72,158,216

(Continued)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND

BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)

JUNE 30, 2017

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
FUND BALANCES						
Nonspendable						
Inventory	-	-	19,176	-	-	19,176
Prepaid expenditures	377,703	-	-	-	-	377,703
Restricted	35,758,565	-	-	3,650,005	2,597,203	42,005,773
Committed	-	-	-	-	-	-
Assigned	4,104,679	-	106,871	-	28,765,534	32,977,084
Unassigned	<u>(377,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377,703)</u>
TOTAL FUND BALANCES	<u>39,863,244</u>	<u>-</u>	<u>126,047</u>	<u>3,650,005</u>	<u>31,362,737</u>	<u>75,002,033</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 103,575,686</u>	<u>\$ 7,904,919</u>	<u>\$ 272,859</u>	<u>\$ 3,650,005</u>	<u>\$ 31,756,780</u>	<u>\$ 147,160,249</u>

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

Total governmental fund balances per above	\$ 75,002,033
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the BOCES as a whole, and their original costs are expensed annually over their useful lives.	129,523,169
Governmental funds do not report the effect of expenditures paid in the current year that relate to future expenses.	
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities	(989,835)
Governmental funds do not report the effect of future receivables from school districts related to BOCES installment debt payable.	10,939,820
Payables that are associated with long term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables related to long term liabilities at year end consisted of accrued interest payable.	(495,612)
Pension related items resulting from the implementation of GASB 68 such as Net Pension Asset, Deferred outflows of resources, Net Pension Liability and Deferred inflows of resources are recorded on the Statement of Net Position but not recognized in the fund statements. These items consisted of;	
Deferred outflows of resources	77,327,033
Net pension liability - ERS	(20,729,398)
Net pension liability - TRS	(5,846,293)
Deferred inflows of resources	(5,251,301)
Deferred outflows related amortization of loss on bond refunding	418,650
Long term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long term liabilities at year end consisted of:	
Short term portion of long term debt	(8,671,643)
Compensated absences payable	(6,524,689)
Installment purchase agreements	(5,979,904)
NYS Dormitory Authority debt	(24,330,000)
Other postemployment benefits	<u>(411,068,421)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (196,676,391)</u>

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

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
REVENUE:						
Charges to components - admin	\$ 28,047,252	\$ -	\$ -	\$ -	\$ -	\$ 28,047,252
Charges to components - services	326,399,164	4,792,101	-	-	-	331,191,265
Charges to other BOCES and non-components	5,463,810	3,931,535	-	-	-	9,395,345
Interest and earnings	50,333	-	-	20,200	12,839	83,372
Sale of property and compensation for loss	397,588	-	-	-	-	397,588
Miscellaneous	4,004,853	277,207	-	-	480,000	4,762,060
County sources	-	-	-	-	-	-
State sources	100,000	10,458,115	25,137	-	-	10,583,252
Federal sources	-	1,797,653	754,981	-	-	2,552,634
Sales - School lunch	-	-	84,901	-	-	84,901
Total revenue	<u>364,463,000</u>	<u>21,256,611</u>	<u>865,019</u>	<u>20,200</u>	<u>492,839</u>	<u>387,097,669</u>
EXPENDITURES:						
Administration	24,014,606	224,736	-	-	-	24,239,342
Occupational instruction	16,937,528	4,301,996	-	-	-	21,239,524
Instruction for special education	152,388,823	14,451,165	-	-	-	166,839,988
Itinerant services	614,588	-	-	-	-	614,588
General instruction	20,053,113	862,209	-	-	-	20,915,322
Instruction support	60,984,602	219,862	-	-	-	61,204,464
Other services	64,313,552	1,166,044	-	-	-	65,479,596
Other expenses	(293,394)	-	-	-	-	(293,394)
Debt service - principal	-	-	-	3,605,000	-	3,605,000
Debt service - interest	-	-	-	1,411,756	-	1,411,756
Cost of sales	-	-	1,650,408	-	-	1,650,408
Capital outlay	-	-	-	-	13,124,492	13,124,492
Total expenditures	<u>339,013,418</u>	<u>21,226,012</u>	<u>1,650,408</u>	<u>5,016,756</u>	<u>13,124,492</u>	<u>380,031,086</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>25,449,582</u>	<u>30,599</u>	<u>(785,389)</u>	<u>(4,996,556)</u>	<u>(12,631,653)</u>	<u>7,066,583</u>
OTHER SOURCES AND (USES):						
Operating transfers in	-	13,812	785,593	4,274,631	9,596,800	14,670,836
Surplus available for distribution	(11,117,005)	-	-	-	-	(11,117,005)
Operating transfers (out)	<u>(14,621,425)</u>	<u>(44,411)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(14,670,836)</u>
Total other sources (uses)	<u>(25,738,430)</u>	<u>(30,599)</u>	<u>785,593</u>	<u>4,274,631</u>	<u>9,591,800</u>	<u>(11,117,005)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(288,848)</u>	<u>-</u>	<u>204</u>	<u>(721,925)</u>	<u>(3,039,853)</u>	<u>(4,050,422)</u>
FUND BALANCES - beginning of year	<u>40,152,092</u>	<u>-</u>	<u>125,843</u>	<u>4,371,930</u>	<u>34,402,590</u>	<u>79,052,455</u>
FUND BALANCES - end of year	<u>\$ 39,863,244</u>	<u>\$ -</u>	<u>\$ 126,047</u>	<u>\$ 3,650,005</u>	<u>\$ 31,362,737</u>	<u>\$ 75,002,033</u>

The accompanying notes are an integral part of these statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

Net changes in fund balance - Total governmental funds	\$ (4,050,422)
Capital outlays, net are expenditures in governmental funds, but are capitalized in the statement of net position.	13,674,922
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(5,323,902)
Pension expense related to the implementation of GASB 68 is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(1,354,128)
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(4,984,377)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	10,095,683
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds.	(49,630,470)
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>(3,833,746)</u>
Change in net position - Governmental activities	<u>\$ (45,406,440)</u>

The accompanying notes are an integral part of these statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS:		
Cash - Unrestricted	\$ 6,155,277	\$ -
Cash - Restricted	<u>36,636</u>	<u>1,097,191</u>
Total assets	<u>\$ 6,191,913</u>	<u>\$ 1,097,191</u>
LIABILITIES:		
Extraclassroom activity balances	\$ 36,636	\$ -
Due to other funds	4,955,309	232,000
Other liabilities	<u>1,199,968</u>	<u>-</u>
Total liabilities	<u>\$ 6,191,913</u>	<u>232,000</u>
NET POSITION:		
Reserved for private purposes		<u>\$ 865,191</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Donations	\$ 1,064,409
Interest	<u>-</u>
Total additions	1,064,409
DEDUCTIONS:	
Scholarships and other private purposes	<u>327,018</u>
NET INCREASE	737,391
NET POSITION - beginning of year	<u>127,800</u>
NET POSITION - end of year	<u>\$ 865,191</u>

The accompanying notes are an integral part of these statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Significant Accounting Policies

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

Reporting Entity

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The board is responsible for, and controls all activities related to public school education within the BOCES. Board members have the authority to make decisions, the power to appoint management, and the 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 school district's share of administrative and capital costs is calculated using a 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 it participates.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39; *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the BOCES financial reporting entity. 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 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 charges for services, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue is presented as general revenue.

Fund Financial Statements

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

The BOCES reports the following major governmental funds:

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

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

School Lunch Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. 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)

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Funds: These funds are 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 BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

- Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.
- Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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 property taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial 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 six months after the end of the fiscal year.

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

Measurement Focus and Basis of Accounting (Continued)

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

Revenue from component school districts

The BOCES bills component school districts during the year on the basis of estimated operating costs. At the end of the year, billings are adjusted to reflect the actual cost of operations. Each component school district is charged for the specific services used, except for administrative, facilities rental costs, and capital and debt service costs, which are charged to component school districts on the basis of each school district's resident weighted average daily attendance of the second preceding year.

State aid – component school districts

New York State remits to BOCES, for distribution to component school districts, state aid payments applicable to certain programs. State aid relating to the current year was \$75,830,561. Of the total aid, \$39,631,689 was received and distributed to the school districts prior to June 30, 2017. The remaining aid of \$36,198,872 was received in September 2017 and will be fully distributed subsequent to year-end. As provided by state law, the receipt and distribution of component school district's state aid is not reflected in the statement of revenues, expenditures and changes in fund balance of the general fund.

Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

Cash (and Cash Equivalents)/Investments

The BOCES cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments as permitted by law. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

Accounts Receivable

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

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.

Nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

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.

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

Inventories and Prepaid Items (continued)

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 with one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

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

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. 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 BOCES-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building	\$ 10,000	SL	50
Building improvements	10,000	SL	50
Furniture and equipment	1,000	SL	5-20

Vested Employee Benefits

Compensated Absences:

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

Vested Employee Benefits (Continued)

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the BOCES-wide Financial Statements. The compensated absences liability is calculated based on the pay rates 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

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

Other Postemployment Benefits

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

In addition to providing retirement benefits described, the BOCES provides postemployment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. In the BOCES-wide financial statements, the cost of postemployment health coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, 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. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Collections in advance

Collections in advance arise when the BOCES receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

In the fund level statements, collections in advance consisted of amounts received in advance for multi-year or future-year programs in the general fund and amounts received in advance for meals that have not yet been purchased in the school lunch fund.

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

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 compensated absences, other post-employment benefits, potential contingent liabilities, and useful lives of long-lived assets.

Equity Classifications

BOCES-Wide Statements

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

Investment in net capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, deferred charges on refunding).

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

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 Financial Statements

Fund Balance – Reservations and Designations

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 and prepared items in the General 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. The BOCES has available the following restricted fund balances.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p) must be used 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 as restricted.

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

Fund Balance – Reservations and Designations (Continued)

Career Education Instructional Equipment Reserve

Career education instructional equipment reserve (Education Law §1950(4)(ee)) and applicable regulations of the Commissioner of Education, must be used in the instructional programs conducted by BOCES. This reserve may be established by component school district approval. This reserve is accounted for in the general fund as restricted.

Liability and Property Loss Reserve

Liability and property loss reserve (Education Law §1709(8)(c)) must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. The reserve is accounted for in the general fund as restricted.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement contribution reserve (GML §6-r) must be used for 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. The reserve is accounted for in the general fund as restricted.

Debt Service

Unexpended balances of proceeds from borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premiums and accrued interest are recorded as amounts restricted for debt service and held until used for debt payments. The restricted funds are accounted for in the debt service fund and capital projects fund.

Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the private purpose trust fund.

Committed fund balance – Includes amounts that can 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.

Assigned fund balance – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the BOCES management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

Unassigned fund balance- includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Order of use of Fund Balance

The order by which the Nassau BOCES will spend restricted and unrestricted (unassigned) fund balance will be evaluated on an annual basis based on the current financial conditions.

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 BOCES-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.

Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

3. STEWARDSHIP AND COMPLIANCE

Budgets

The BOCES administration prepares a proposed administrative, capital and program budget, as applicable for approval by the members of the Board 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 State 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 for educational services are adopted at the program 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 unless expended or encumbered. 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.

Encumbrances

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. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

CASH

New York State law governs the BOCES investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and BOCES.

Custodial credit risk is the risk that in the event of a bank failure, the BOCES deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized with securities held by the pledging financial institution in the BOCES' name; or
- C. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the BOCES' name.

None of the BOCES aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

CASH (Continued)

Restricted Cash

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.

Investments

The BOCES does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk. The BOCES also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Investments at June 30, 2017 comprised of the following:

	Issue	Carrying Amount	Market Value	Unrealized Investment Gain/(Loss)	Investment Maturities (in years)
<u>Type of investment</u>					
Treasury Bills	2011	\$ 1,869,438	\$ 1,868,775	\$ (663)	0.33
Treasury Bills	2009	726,833	726,580	(253)	0.33
Cash	All	932	932	-	N/A
Total capital projects fund		<u>\$ 2,597,203</u>	<u>\$ 2,596,287</u>	<u>\$ (916)</u>	
Treasury Strips	2011	\$ 2,514,232	\$ 2,513,132	\$ (1,100)	0.12
Treasury Strips	2009	1,135,202	1,134,705	(497)	0.12
Cash	All	571	571	-	N/A
Total debt service fund		<u>\$ 3,650,005</u>	<u>\$ 3,648,408</u>	<u>\$ (1,597)</u>	

5. STATE, FEDERAL AND COUNTY RECEIVABLES

State, federal, and county receivables for the BOCES individual major funds at June 30, 2017 consisted of the following:

	General Fund	Special Aid Fund	School Lunch Fund	Total
State aid receivable - Due to districts	\$ 36,198,872	\$ -	\$ -	\$ 36,198,872
State and federal aid receivable	-	2,703,974	65,231	2,769,205
Total state and federal aid receivables	<u>\$ 36,198,872</u>	<u>\$ 2,703,974</u>	<u>\$ 65,231</u>	<u>\$ 38,968,077</u>
Due from New York State	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,946</u>

6. CAPITAL ASSETS

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

	July 1, 2016 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	June 30, 2017 <u>Balance</u>
Governmental activities:					
Capital assets that are not depreciated:					
Land	\$ 9,235,600	\$ -	\$ -	\$ -	\$ 9,235,600
Total non-depreciable historical cost	<u>9,235,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,235,600</u>
Capital assets that are depreciated:					
Buildings and improvements	132,301,243	421,261	-	10,341,920	143,064,424
Infrastructure	2,471,891	-	-	-	2,471,891
Furniture and equipment	<u>37,561,092</u>	<u>2,682,987</u>	<u>908,200</u>	<u>242,854</u>	<u>39,578,733</u>
Total depreciable historical cost	<u>172,334,226</u>	<u>3,104,248</u>	<u>908,200</u>	<u>10,584,774</u>	<u>185,115,048</u>
Less accumulated depreciation:					
Buildings and improvements	44,312,013	3,204,215	-	(14,227,566)	33,288,662
Infrastructure	436,266	184,704	-	-	620,970
Furniture and equipment	<u>15,649,398</u>	<u>1,934,983</u>	<u>894,100</u>	<u>14,227,566</u>	<u>30,917,847</u>
Total accumulated depreciation	<u>60,397,677</u>	<u>5,323,902</u>	<u>894,100</u>	<u>-</u>	<u>64,827,479</u>
Total depreciable cost, net	<u>\$ 111,936,549</u>	<u>\$ (2,219,654)</u>	<u>\$ 14,100</u>	<u>\$ 10,584,774</u>	<u>\$ 120,287,569</u>

The adjustments column shown above represents reclassifications of accumulated depreciation and capital construction additions to reconcile to the internal capital assets schedules.

7. SHORT-TERM LIABILITIES

Transactions in short-term debt for the year ended June 30, 2017 are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN	7/25/2016	.5 - .9%	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>

This debt was issued for interim financing of general fund operations.

8. LONG-TERM LIABILITIES

Interest on long term debt for the year was composed of:

Interest paid	\$ 1,411,756
Less: interest accrued in prior year	(695,448)
Plus: amortization of deferred refunding	101,490
Less: amortization of premium	(239,959)
Plus: interest accrued in current year	<u>495,612</u>
Total interest expense	<u>\$ 1,073,451</u>

8. LONG-TERM LIABILITIES (Continued)

Long-term liability balances and activity for the year ended June 30, 2017 are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable:					
General Obligation Bonds	\$ 30,895,000	\$ -	\$ 3,605,000	\$ 27,290,000	\$ 2,960,000
Unamortized bond premiums	1,229,794	-	239,959	989,835	-
Installment debt	12,446,126	4,984,377	6,490,683	10,939,820	4,959,916
Total bonds and notes payable	44,570,920	4,984,377	10,335,642	39,219,655	7,919,916
Other liabilities:					
Compensated absences	7,579,506	-	303,090 (A)	7,276,416	751,727
Net pension liability - ERS	36,022,752	-	15,293,354 (A)	20,729,398	-
Net pension liability - TRS	-	5,846,293	-	5,846,293	-
Other postemployment benefits	361,437,951	66,880,009	17,249,539	411,068,421	-
Total other liabilities	405,040,209	72,726,302	32,845,983	444,920,528	751,727
Total long-term liabilities	<u>\$ 449,611,129</u>	<u>\$ 77,710,679</u>	<u>\$ 43,181,625</u>	<u>\$ 484,140,183</u>	<u>\$ 8,671,643</u>

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

Existing serial and statutory bond obligations are comprised of the following:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at year end</u>
Dormitory Authority bond	7/9/2009	8/15/2028	3.0-5.00%	\$ 12,800,000
Dormitory Authority bond	5/25/2011	8/15/2021	3.0-5.00%	14,490,000
				<u>\$ 27,290,000</u>

The following is a summary of debt service requirement for bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2,960,000	1,256,197	\$ 4,216,197
2019	3,960,000	1,091,763	5,051,763
2020	4,150,000	896,613	5,046,613
2021	4,340,000	691,963	5,031,963
2022	3,550,000	495,938	4,045,938
2023-2027	5,655,000	1,389,494	7,044,494
2028-2029	2,675,000	135,375	2,810,375
Totals	<u>\$ 27,290,000</u>	<u>\$ 5,957,343</u>	<u>\$ 33,247,343</u>

8. LONG-TERM LIABILITIES (Continued)

Installment Purchase Debt Payable

The BOCES has entered into various installment purchase agreements to finance the cost of computers and other equipment. The unpaid balance at June 30, 2017 was \$10,939,820. The terms of the agreements provide for the repayment between 24 to 60 months including interest at rates of approximately 1.00% and 5.00%. Interest expenditures of \$279,732 were recorded in the fund financial statements in Instructional Support and Other Services in the General Fund.

The following is a summary of debt service requirements for installment debt:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,959,916	\$ 171,964	\$ 5,131,880
2019	3,450,149	86,420	3,536,569
2020	1,856,535	31,961	1,888,496
2021	673,220	6,403	679,623
Totals	<u>\$ 10,939,820</u>	<u>\$ 296,748</u>	<u>\$ 11,236,568</u>

The deferred inflows and deferred outflows relating to the previously refunded bonds are being amortized on the BOCES-wide Financial Statements using the straight-line method over seven more years, the remaining time to maturity of the refunded bonds. The current amortization is \$101,490 and is included as a reduction to administrative expenses on the BOCES-wide Financial Statements.

9. INTERFUND BALANCES AND ACTIVITY

Interfund balances and activities for the year ended June 30, 2017 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 12,044,311	\$ -	\$ -	\$ 14,621,425
Special aid fund	-	6,716,816	13,812	44,411
School lunch fund	-	126,166	785,593	-
Debt service fund	-	-	4,274,631	-
Capital fund	-	14,020	9,596,800	5,000
Fiduciary funds	-	5,187,309	-	-
Total governmental activities	<u>\$ 12,044,311</u>	<u>\$ 12,044,311</u>	<u>\$ 14,670,836</u>	<u>\$ 14,670,836</u>

The BOCES typically transfers from the general fund to the capital projects fund to finance capital projects. The BOCES typically transfers from the general fund to the debt service fund for annual debt service requirements. The BOCES typically transfers from the general fund to the school lunch fund to subsidize the operations of the school lunch program and from the special aid fund to the school lunch fund to cover certain meal costs.

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.

10. 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:

2017	\$ 10,767,451
2016	\$ 12,194,864
2015	\$ 12,722,071

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. The BOCES had no amortizing unpaid amounts at the end of the fiscal year.

10. PENSION PLANS (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. The BOCES had no unpaid liability at the end of the fiscal year.

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program. The costs of the program will be billed and paid over five years beginning February 1, 2012. The BOCES had no retirement incentive liability at year end.

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

At June 30, 2017, the BOCES reported a liability of \$20,729,398 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2016. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the BOCES' proportion was 0.2206141%, which was a decrease of .0038228% from its proportion measured June 30, 2016.

For the year ended June 30, 2017, the BOCES recognized pension expense of \$12,985,220. At June 30, 2017, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 519,459	\$ 3,147,876
Changes of Assumptions	7,081,922	-
Net difference between projected and actual earnings on pension plan investments	4,140,501	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,774,283	146,981
Contributions subsequent to the measurement date	3,506,016	-
	<u>\$ 19,022,181</u>	<u>\$ 3,294,857</u>

10. PENSION PLANS (Continued)

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

\$3,506,016 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2018	\$	5,114,241
2019		5,114,241
2020		4,396,531
2021		(2,403,705)
2022		-
Thereafter		-
	\$	<u>12,221,308</u>

Actuarial Assumptions

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

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

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.

10. PENSION PLANS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of March 31, 2017 is summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.80%
Absolute Return Strategies	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Assets	3.0%	5.54%
Bonds and Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed Bonds	<u>4.0%</u>	1.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension liability	\$ 66,205,589	\$ 20,729,397	\$ (17,720,636)

10. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	BOCES' proportionate share of Plan's Fiduciary Net Position	BOCES' allocation percentage as determined by the Plan
Total pension liability	\$ 177,400,586,000	\$ 391,370,706	0.2206141%
Net position	(168,004,363,000)	(370,641,309)	0.2206141%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 20,729,397</u>	0.2206141%
Fiduciary net position as a percentage of total pension liability	94.70%	94.70%	

New York State Teacher 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:

2017	\$ 11,168,940
2016	\$ 14,754,792
2015	\$ 15,138,737

10. PENSION PLANS (Continued)

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

At June 30, 2017, the BOCES reported a liability of \$5,846,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as June 30, 2015. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 the BOCES' proportion was 0.545851%, which was a decrease of 0.014470% from its proportion measured June 30, 2016.

For the year ended June 30, 2017, the BOCES recognized pension expense of \$9,706,281. At June 30, 2017 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,899,204
Changes of Assumptions	33,304,208	-
Net difference between projected and actual earnings on pension plan investments	13,145,541	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	986,004	57,240
Contributions subsequent to the measurement date	10,869,100	-
	<u>\$ 58,304,853</u>	<u>\$ 1,956,444</u>

\$10,869,100 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2017	\$ 4,215,942
2018	4,215,942
2019	14,425,133
2020	11,248,756
2021	5,240,058
Thereafter	<u>6,133,477</u>
	<u>\$ 45,479,308</u>

10. PENSION PLANS (Continued)

Actuarial Assumptions

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

These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><th>Service</th><th>Rate</th></tr><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.										

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

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

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

10. PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2015 are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equities	37.0%	6.1%
International Equities	18.0%	7.3%
Real Estate	10.0%	5.4%
Private Equities	7.0%	9.2%
Domestic fixed Income Securities	17.0%	1.0%
Global Fixed Income Securities	2.0%	0.8%
Mortgages	8.0%	3.1%
Short-term	<u>1.0%</u>	0.1%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 the BOCES will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1 % Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate Share of Net Pension liability	\$ 76,278,181	\$ 5,846,293	\$ (53,228,283)

10. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	BOCES' proportionate share of Plan's Fiduciary Net Position	BOCES' allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184,039	\$ 592,669,645	0.5458510%
Net position	(107,506,142,099)	(586,823,352)	0.5458510%
Net pension liability (asset)	\$ 1,071,041,940	\$ 5,846,293	0.5458510%
Fiduciary net position as a percentage of total pension liability	99.01%	99.01%	

Tax Sheltered Annuities

The BOCES has adopted a 403 (b) plan covering all eligible employees. The BOCES makes no contributions to this Plan. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended June 30, 2017, totaled \$6,291,286.

Deferred Compensation Plan

The BOCES has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The BOCES makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017 totaled \$1,458,260.

11. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

Plan Description

The BOCES primarily provides post-employment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan, (plus other coverage under HIP, VITRA, BlueCross/Blue Shield) (the "Plan"), which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the statutes of the State assigns authority to establish and amend benefit provisions to the BOCES. The Plan does not issue a stand-alone publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The contribution requirements of Plan members and the BOCES are established and may be amended by the BOCES. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the BOCES contributed an estimated \$10,423,371 to the Plan. Plan members receiving benefits contributed approximately 20% of the total premiums paid.

Annual OPEB Cost and Net OPEB Obligation

The BOCES annual other post-employment 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.

11. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (Continued)

The following table shows the components of the BOCES annual OPEB cost for the year, the amount estimated to be contributed to the Plan, and changes in the BOCES net OPEB obligation to the Plan:

Annual required contribution	\$ 49,280,583
Interest on net OPEB obligation	14,457,518
Adjustment to annual required contribution	<u>3,141,908</u>
Annual OPEB cost (expense)	66,880,009
Contributions made	<u>17,249,539</u>
Increase in net OPEB obligation	49,630,470
NET OPEB obligation - beginning of year	<u>361,437,951</u>
NET OPEB obligation - end of year	<u>\$ 411,068,421</u>
Percentage of annual OPEB cost contributed	26%

The BOCES annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017 and the preceding two years were as follows:

<u>Year</u> <u>Ended</u>	<u>OPEB</u> <u>Cost</u>	<u>Contribution</u> <u>(ARC)</u>	<u>OPEB Cost</u> <u>Contributed</u>	<u>% of ARC</u> <u>Contributed</u>	<u>OPEB</u> <u>Obligation</u>
June 30, 2017	\$ 66,880,009	\$ 49,280,583	\$ 17,249,539	35.0%	\$ 411,068,421
June 30, 2016	\$ 63,172,560	\$ 47,442,573	\$ 16,436,588	34.6%	\$ 361,437,951
June 30, 2015	\$ 59,678,202	\$ 45,690,710	\$ 16,115,822	35.3%	\$ 314,701,979

Funded Status and Funding Process

As of July 1, 2014, the last full actuarial valuation, the Plan was 0% funded. The actuarial accrued liability for benefits was \$548,320,567 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$548,320,567. The covered payroll (annual payroll of active employees covered by the plan) was \$150,484,298 and the ratio of the UAAL to the covered payroll was 335%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the BOCES and the Plan members to that point.

11. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (Continued)

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, prepared by an outside actuarial firm, the projected unit credit cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized using the level dollar amortization method over an open period of 30 years.

12. 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 commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Insurance reciprocal

BOCES and other school districts have formed a reciprocal insurance company (the Company) to be owned by these districts. The Company operates under an agreement effective July 1, 1989. The purposes of this Company are to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverage will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which will be responsible for the overall supervision and management of the Company. The Company is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts.

Consortiums

The BOCES participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its BOCES property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the BOCES has essentially transferred all related risk to the pool. As of June 30, 2017, the BOCES has a reserve for property and liability losses with a balance of \$1,658,621.

13. FUND BALANCES

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

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2017, the BOCES encumbered the following amounts:

Assigned Unappropriated fund balance:

General Fund	Administration	\$ 63,792
	Occupational instruction	39,386
	Instruction for special education	439,470
	Itinerant services	966
	General instruction	302,636
	Instruction support	1,250,426
	Other services	<u>1,978,172</u>
		<u>\$ 4,074,848</u>
Special Aid Fund	Grants and Other Programs	<u>\$ 43,553</u>
School Lunch Fund	Cost of sales	<u>\$ 30,190</u>
Capital Project Fund	Capital projects	<u>\$ 1,802,096</u>
	Total encumbrances	<u>\$ 5,950,687</u>

Assigned Unappropriated

The BOCES has classified \$29,832 at June 30, 2017 as assigned unappropriated fund balance for interscholastic athletics.

Restricted Fund Balance

The BOCES has classified the following fund balance reserves as restricted:

	General	Debt Service	Capital Projects
Restricted:			
Employee benefit accrued liability	\$ 6,759,328	\$ -	\$ -
Career education instructional liability	1,887,653	-	-
Liability and property loss	1,658,621	-	-
Unemployment	300,831	-	-
Retirement contribution	25,152,132	-	-
Debt Service	<u>-</u>	<u>3,650,005</u>	<u>2,597,203</u>
Total restricted fund balance	<u>\$ 35,758,565</u>	<u>\$ 3,650,005</u>	<u>\$ 2,597,203</u>

14. CONTINGENCIES AND COMMITMENTS

Grants

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

Litigation

The BOCES has been named as defendant in certain actions. A review by management and the BOCES' attorneys indicate these actions are either fully covered by insurance or not substantial enough to materially affect the financial position of the BOCES.

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* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service.

This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues identified in the implementation and application of certain GASB Statements affecting including but not limited to pensions and other postemployment benefits. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2021.

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

16. SUBSEQUENT EVENTS

The BOCES issued bonds entitled "Dormitory Authority of the State of New York Master BOCES program lease refunding revenue bonds" totaling \$10,530,000 during August of 2017. The proceeds were used in part to refund the previous DASNY revenue bonds. The revenue bonds are payable through 2028 with interest rates ranging from 2.00% to 5.00%.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

	Original Budget	Final Budget	Actual		Final Budget Variance with Budgetary Actual
REVENUE					
Administration (001-002)	\$ 28,976,973	\$ 28,976,973	\$ 28,592,189		\$ 384,784
Occupational instruction (100-199)	17,605,268	18,101,826	17,577,756		524,070
Instruction for special education (200-299)	145,087,501	152,924,316	165,607,165		(12,682,849)
Itinerant services (300-399)	236,413	704,922	852,611		(147,689)
General instruction (400-499)	19,496,964	23,224,371	20,980,425		2,243,946
Instruction support (500-599)	45,423,804	56,387,345	61,496,282		(5,108,937)
Other services (600-699)	51,479,738	65,235,975	69,356,564		(4,120,589)
Total revenues	308,306,661	345,555,728	364,462,992		(18,907,264)
EXPENDITURES					
				<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
Administration (001-002)	28,976,973	28,976,973	28,475,784	63,792	437,397
Occupational instruction (100-199)	17,605,268	18,101,826	16,940,747	39,386	1,121,693
Instruction for special education (200-299)	145,087,501	152,924,316	152,778,993	439,470	(294,147)
Itinerant services (300-399)	236,413	704,922	615,243	966	88,713
General instruction (400-499)	19,496,964	23,224,371	20,128,939	302,636	2,792,796
Instruction support (500-599)	45,423,804	56,387,345	61,121,033	1,250,426	(5,984,114)
Other services (600-699)	51,479,738	65,235,975	64,156,101	1,978,172	(898,298)
Total expenditures	308,306,661	345,555,728	344,216,840	4,074,848	(2,735,960)
Excess revenue over expenditures (expenditures over revenue)			\$ 20,246,152		

The accompanying notes are an integral part of these schedules

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

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	\$ -	\$ 528,491,069	\$ 528,491,069	0.00%	\$ 157,861,338	334.78%
July 1, 2012	\$ -	\$ 480,740,854	\$ 480,740,854	0.00%	\$ 145,676,419	330.01%
July 1, 2010	\$ -	\$ 492,091,428	\$ 492,091,428	0.00%	\$ 149,065,805	330.12%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.2206141%	0.2244369%	0.2258358%							
Proportionate share of the net pension liability (asset)	\$ 20,729.4	\$ 36,022.8	\$ 7,629.3							
Covered-employee payroll	\$ 68,582.4	\$ 66,254.0	\$ 66,424.9							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.23%	54.37%	11.49%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.68%	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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.5458510%	0.5603280%	0.5582470%							
Proportionate share of the net pension liability (asset)	\$ 5,846.3	\$ (58,200.2)	\$ (62,185.3)							
Covered-employee payroll	\$ 88,277.7	\$ 84,230.3	\$ 84,174.9							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.62%	-69.10%	-73.88%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	110.46%	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.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

Supplemental Schedule #4

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

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 10,767.5	\$ 12,194.9	\$ 12,214.2							
Contributions in relation to the contractually required contribution	10,767.5	12,194.9	12,214.2							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 68,582.4	\$ 66,254.0	\$ 66,424.9							
Contributions as a percentage of covered-employee payroll	15.70%	18.41%	18.39%							

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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 10,346.1	\$ 11,168.9	\$ 14,755.9							
Contributions in relation to the contractually required contribution	10,346.1	11,168.9	14,755.9							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 88,277.7	\$ 84,230.3	\$ 84,174.9							
Contributions as a percentage of covered-employee payroll	11.72%	13.26%	17.53%							

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

SUPPLEMENTARY INFORMATION (UNAUDITED)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

SCHEDULE OF ACCOUNT A431 AND A380 SCHOOL DISTRICTS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2017

July 1, 2016 - Debit (Credit) balance	\$ 34,527,407
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Debits

Billings to school districts	361,860,380
Refund of balances due school districts	8,011,241
Arts in Education Refund	556,691
CTE Equipment Reserve	400,000
Transfer to Employee Retirement Contribution	-
Transfer to Capital Fund	9,419,000
Other adjustments	
Miscellaneous	-
Total debits	<u>380,247,312</u>

Credits

Collections from school districts	368,013,144
Current year surplus	<u>20,946,109</u>
Total credits	<u>388,959,253</u>

June 30, 2017 - Debit (Credit) balance	<u>\$ 25,815,466</u>
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BREAKDOWN OF A431 AND 380 DEBIT BALANCE

Receivables from districts - A380	\$ 1,054,851
Receivables from districts - A431	45,831,006
Surplus adjustments from balance sheet	-
Surplus payable to districts - credit	<u>(21,070,391)</u>
Net receivable from districts - debit	<u>\$ 25,815,466</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

Supplemental Schedule #6

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

Project Title	Original Budget	#	Revised Budget	Expenditures			Methods of Financing		Unexpended Balance
				Current Year	Prior Years	Total	Proceeds of Obligations	Local Sources	
ASBESTOS TESTING AND ABATEMENT	\$ 250,000		\$ 755,000	\$ 121,479	\$ 456,985	\$ 578,464	\$ -	\$ 755,000	\$ 176,536
BARRY TECH - KITCHEN WALK-IN REFRIGERATOR/FREEZER	120,000		120,000	111,337	7,241	118,578	-	120,000	1,422
BARRY TECH - WEST-WING RENOVATIONS	2,200,000		2,182,738	1,873,807	63,041	1,936,848	-	2,182,738	245,890
BARRY TECH - NETWORK UPGRADES	280,000		280,000	258,286	-	258,286	-	280,000	21,714
BROOKVILLE DEMOLITION	117,340		135,340	7,100	-	7,100	-	135,340	128,240
BUILDING PURCHASE	5,000,000		22,250,001	8,134,925	900,000	9,034,925	-	22,250,001	13,215,076
CARBON MONOXIDE MONITORING	440,000		440,000	171,994	18,808	190,802	-	440,000	249,198
CAREER PREP - HVAC & BMS REPAIRS	325,000		366,876	-	366,876	366,876	-	366,876	-
CAREER PREP HS - WATER INFILTRATION REPORT	20,000		11,301	-	11,301	11,301	-	11,301	-
CAREER PREP NETWORK	270,000		270,000	70,805	191,293	262,098	-	270,000	7,902
CARMAN ROAD LEASE	177,800		177,800	177,800	-	177,800	-	177,800	-
CARMAN ROAD SCHOOL FIRE ALARM SYSTEM	410,800		410,800	-	-	-	-	410,800	410,800
CAUMSETT LEASE OBLIGATION	250,000		248,788	-	248,788	248,788	-	248,788	-
DATA ENCRYPTION HARDWARE AND SOFTWARE	288,000		288,000	287,228	-	287,228	-	288,000	772
FARBER - BACKUP GENERATOR	832,000		832,000	-	-	-	-	832,000	832,000
FARBER - CENTER WING HVAC UPGRADES	2,876,000		2,876,000	-	-	-	-	2,876,000	2,876,000
FARBER - FIRE SUPPRESSION SYSTEM	312,000		312,000	-	-	-	-	312,000	312,000
FARBER - ROOF PARAPET REPAIR	179,800		179,800	-	-	-	-	179,800	179,800
FARBER - ADA RAMP/RAIL	47,000		47,000	23,707	-	23,707	-	47,000	23,293
FARBER - FACILITIES DEPT RELOCATION	595,000		36,401	16,132	20,269	36,401	-	36,401	-
FARBER - STEAM SYSTEM REPLACEMENT	175,000		1,455,643	-	1,455,643	1,455,643	-	1,455,643	-
FARBER - NETWORK	200,000		200,000	197,717	-	197,717	-	200,000	2,283
FARBER - NORTH WING ROOF & GLAZING	350,000		419,000	17,014	13,657	30,671	-	419,000	388,329
FIBER BUILD-OUT	2,000,645		2,846,567	116,085	2,705,263	2,821,348	-	2,846,567	25,219
HASKET DR SEWER, ROOF & PARKING LOT	850,000		-	-	-	-	-	-	-
HASKETT - FIRE ALARMS BLDGS. C & F	169,300		169,300	-	-	-	-	169,300	169,300
HASKETT DR - BLDGS B & E DEMOLITION	415,000		824,000	748,120	56,203	804,323	-	824,000	19,677
IRIS WOLFSON NETWORK	270,000		270,000	82,276	184,442	266,718	-	270,000	3,282
IRIS WOLFSON KITCHEN	277,000		277,000	126,583	8,559	135,142	-	277,000	141,858
LIHSA - HVAC SYSTEM UPGRADES	423,800		423,800	-	-	-	-	423,800	423,800
LIHSA - STEM PROGRAM RENOVATIONS PHASE II	1,160,000		68,317	-	68,317	68,317	-	68,317	-
LUPINSKIE - BRICK REPOINTING/RETAINING WALLS	664,800		664,800	-	-	-	-	664,800	664,800
LUPINSKIE - HVAC SYSTEM UPGRADES	410,000		410,000	-	-	-	-	410,000	410,000
LUPINSKIE - NETWORK OPERATIONS CENTER	2,200,000		2,919,747	-	2,919,747	2,919,747	-	2,919,747	-
RKC - CORRIDOR CEILINGS AND LIGHTING	1,260,000		1,467,500	19,207	57,741	76,948	-	1,467,500	1,390,552
RKC - FORMER POOL AREA REMEDIATION	95,000		79,896	-	79,896	79,896	-	79,896	-
RKC - HVAC INSTALLATION	1,435,000		2,030,000	1,148,887	796,556	1,945,443	-	2,030,000	84,557
RKC - HVAC SYSTEM UPGRADES	1,376,000		1,376,000	-	-	-	-	1,376,000	1,376,000
RKC - PNEUMATIC CONTROLS AND PUMP REPAIRS	200,000		200,000	24,168	174,523	198,691	-	200,000	1,309
RKC - REPLACEMENT OF INTERIOR DOORS	2,800,000		1,718,238	259,896	1,394,121	1,654,017	-	1,718,238	64,221
RKC - TOILET RENOVATIONS AND GYM FLOOR	1,395,000		1,971,000	74,031	67,089	141,120	-	1,971,000	1,829,880
RKC - WIRELESS	279,696		276,553	-	276,553	276,553	-	276,553	-
RKC WASTEWATER PUMP STATION UPGRADE	230,000		230,000	179,617	-	179,617	-	230,000	50,383
SEALCOAT AND REPAIR PARKING LOTS	325,000		434,383	149,042	17,043	166,085	-	434,383	268,298
TELEPHONE SYSTEM - AGENCYWIDE REPLACEMENT	450,000		765,000	320,451	428,109	748,560	-	765,000	16,440
UNALLOCATED DASNY - DEBT SERVICE RESERVE 2009	724,153		727,745	-	-	-	727,745	-	727,745
UNALLOCATED DASNY - DEBT SERVICE RESERVE 2011	1,865,212		1,874,458	5,000	-	5,000	1,874,458	-	1,869,458
VMWARE SOFTWARE UPGRADE	210,000		210,000	208,893	-	208,893	-	210,000	1,107
WILLET AVENUE MODULAR BLDG. SITE WORK	951,500		951,500	-	-	-	-	951,500	951,500
WOLFSON HS GROUNDWATER INFILTRATION	3,250		66,850	-	66,850	66,850	-	66,850	-
Total	\$ 38,156,096		\$ 57,547,142	\$ 14,931,587	\$ 13,054,914	\$ 27,986,501	\$ 2,602,203	\$ 54,944,939	\$ 29,560,641

The accompanying notes are an integral part of these schedules.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 308,306,661
Add: Prior year's encumbrances	<u>4,799,000</u>
Original budget	313,105,661
Budget revision: Board resolutions to accept changes in service contracts	<u>32,450,067</u>
Final budget	<u><u>\$ 345,555,728</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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

Capital assets, net	\$ 129,523,169
Deduct:	
Bond anticipation note	-
Short-term portion of installment purchase debt	4,959,916
Long-term portion of installment purchase debt	5,979,904
Short-term portion of bonds payable	2,960,000
Long-term portion of bonds payable	24,330,000
Plus: Unspent bond proceeds	<u>-</u>
Net investment in capital assets, net of related debt	<u><u>\$ 91,293,349</u></u>

The accompanying notes are an integral part of these schedules.

**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**

September 26, 2017

To the Board of Education of the
Board of Cooperative Educational Services of Nassau County:

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 Board of Cooperative Educational Services of Nassau County (BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

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

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

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

(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.