

ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL
SERVICES

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2018

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

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Orleans-Niagara
Board of Cooperative Educational Services

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note II to the financial statements, the BOCES adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB No. 45. As a result, the beginning net position has been restated.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 12–19 and 44–48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orleans-Niagara Board of Cooperative Educational Services, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of the Orleans-Niagara Board of Cooperative Educational Services, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orleans-Niagara Board of Cooperative Educational Services, New York's internal control over financial reporting and compliance.

Rochester, New York
October 2, 2018

Handwritten signature in blue ink that reads "Raymond F. Wager, CPA, PC".

**ORLEANS – NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MEDINA, NEW YORK
Management’s Discussion and Analysis (MD&A)
June 30, 2018**

Introduction

Our discussion and analysis of the Board of Cooperative Educational Services Sole Supervisory District of Orleans and Niagara Counties’ (Orleans/Niagara BOCES) financial performance provides an overview of the BOCES’ financial activities for the year ended June 30, 2018. It should be read in conjunction with the basic financial statements to enhance understanding of the BOCES financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

The Board of Cooperative Educational Services (BOCES) is a public school district formed under New York State Public Education Law § 1950. It is formed to provide educational and management services to its 13 component school districts in Orleans and Niagara Counties, New York. Additionally, several other school districts purchase services from the BOCES by “cross contracting” through their own local BOCES. Since the BOCES receives no State Aid and has no taxing authority, the vast majority of its revenues are derived from the sale of its services to school districts. Revenues from providing school district services totaled more than \$58 million dollars for the fiscal year. In accordance with New York State Public Education Law, the BOCES does not maintain a General Fund unrestricted balance. Instead, all revenues collected in excess of annual expenditures are returned to participating school districts in direct proportion to the revenues collected from those districts. The refund for the fiscal year ended June 30, 2018 totaled \$4,768,326.

The BOCES governmental fund financial statements report a combined ending fund balance of \$10,728,720, an increase of \$276,403. The fund balance is comprised of a number of sources:

- An amount of \$665,771 is available in the form of reserve funds for unemployment insurance.
- A total of \$122,443 is reserved for liability.
- A total of \$1,000,331 is reserved for a career and technical education equipment.
- A total of \$1,304,604 is reserved for a retirement contribution reserve.
- A reserve for encumbrances totals \$780,926.
- The Special Aid Fund Balance is \$1,170,919, which consists primarily of the adult continuing education programs.
- An amount of \$2,397,856 is available in the Capital Fund to complete current capital projects.
- An amount of \$1,396,930 is reserved for Employee Benefits Liability
- A total of \$1,888,940 is assigned for Other Post Employment Benefits pending legislation authorizing the deposit into an irrevocable trust

The BOCES Net Position for the year ended June 30, 2017 has been restated to \$12,599,250 due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the BOCES Net Position for the year ended June 30, 2018 has increased by \$2,983,103. This is due primarily to the donation of a building in Lockport to be used for Literacy and Adult Education. The Net Position increase was offset by a decrease due to an increase in the BOCES net obligation (liability) for OPEB of \$313,197. This amount for retiree health insurance was actuarially calculated in accordance with the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. See Factors Bearing on the BOCES' Future on page 11 for a full description of OPEB reporting requirements and its impact on BOCES.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES' basic financial statements. The BOCES' basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

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

The **Statement of Governmental Net Position** presents information on all of the BOCES' assets and liabilities, with the difference between the two reported as Net Position. Net Position are similar to total stockholders' equity presented by a commercial business. Although the purpose of BOCES is not to accumulate Net Position, over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.

The **Statement of Activities** presents the revenue, expenses and corresponding change in Net Position of the BOCES during the most recent fiscal year. All revenues are reported when earned and expenses are reported when incurred, regardless of the timing of related cash flows.

The governmental activities of the BOCES include administration, career and technical education, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, school store and depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is considered a separate accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. All of the funds of the BOCES can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, they are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. In general, the fund financial statements have a short-term emphasis. They measure and account for cash and other assets that can be easily converted to cash, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. Compensated absences are an example of liabilities that are not reflected in the fund financial statements, but are included as a liability in the statement of Net Position. The difference between a fund's total assets and total liabilities is labeled as the fund balance and indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash respectively during the current period, or very shortly after the end of the year. Therefore, depreciation is not reflected as an expense since it doesn't require a cash payment.

Since different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented in these financial statements. To reconcile the total fund balance to the amount of Net Position, an analysis is presented at the bottom of the balance sheet. Also, the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances reconciles the total change in fund balances for all government funds to the change in Net Position as reported in the governmental activities statement.

The BOCES maintains four individual governmental funds; General Fund, Special Aid Fund, School Store Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund.

The BOCES adopts an annual budget for its General Fund. Supplementary schedules are provided in the Notes to Financial Statement section which compare revenue and expenditures to the budget and revisions to the budget which identifies sources of changes.

The **Fiduciary Funds** are used to account for assets held by the BOCES in an agency capacity which account for assets held on behalf of others. The BOCES, however, is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are **not** available to support the BOCES' programs.

The BOCES fiduciary funds consist of student activity accounts, scholarships, retiree health insurance reserve, and two multi-district consortiums – health insurance and workers' compensation.

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As mentioned earlier, Net Position may serve over time as a useful indicator of the BOCES' financial position. As of June 30, 2018, the BOCES assets exceeded the liabilities by \$15,582,353. A comparison of Net Position with the prior year follows:

Net Position:

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 29,123,395	\$ 32,858,168
Long Term Net Pension Asset	938,252	0
Capital Assets, Net	<u>19,726,116</u>	<u>16,471,431</u>
Total Assets	<u>\$ 49,787,763</u>	<u>\$ 49,329,599</u>
Deferred Outflow of Resources	\$ 14,805,636	\$ 14,455,032
Current Liabilities	\$ 18,394,675	\$ 22,405,851
Long-Term Liabilities	<u>25,488,685</u>	<u>15,373,771</u>
Total Liabilities	<u>\$ 43,883,360</u>	<u>\$ 37,779,622</u>
Deferred Inflow of Resources	\$ 5,127,686	\$ 766,264
Net Position:		
Investment in Capital Assets, Net of Related Debt	\$ 19,726,116	\$ 16,471,431
Restricted-Capital Projects	2,397,856	1,980,722
Restricted – Accrued Benefit Liability Reserve	1,396,930	1,395,080
Restricted- Other Reserves	3,093,149	3,140,812
Unrestricted	<u>(11,031,698)</u>	<u>2,249,700</u>
Total Net Position	<u>\$ 15,582,353</u>	<u>\$ 25,237,745</u>

The single largest component of the BOCES' Net Position, \$19,726,116, reflects its investment in capital assets. The BOCES uses these assets to provide programs and services to its component districts and students. Consequently, these assets are not available for future spending.

A large portion of the current assets is amounts which are due from other governments. A receivable from New York State of \$9,428,117 is for BOCES aid for the component districts which was not received as of June 30, 2018. This amount was also accounted for in the current liabilities as Due to School Districts. Other government receivables include the amount of \$2,139,334 in state and federal grants in the Special Aid Fund and \$1,782,216 due from school districts. The amount of \$17,376,231 is cash and cash equivalents (money market accounts) held by BOCES.

In addition to the BOCES aid due to school districts, the current liabilities reflect \$1,077,055 due to other funds. These items are internal cash flow borrowings among funds and are repaid when monies are received by the borrowing fund. Current Liabilities also includes an amount of \$2,472,154 for the Employee' and Teachers' Retirement System.

Long term liabilities has several components. The amount of \$1,297,002 is for compensated absences which is unused vacation and compensatory time which is due to certain employees upon separation from service. The amount of \$23,495,477 is for BOCES' net obligation for other postemployment benefit (OPEB) cost as determined in accordance with GASB Statement #45. Included this year is a new liability for the BOCES' proportionate share of the net pension liability for ERS in the amount of \$696,206.

The BOCES has \$19,726,116 in fixed asset valuation. This is a combination of all land, buildings, machinery and equipment less accumulated depreciation. The BOCES has a practice of systematically updating its facilities through annual capital expenditure charges to component school districts. The BOCES utilizes these funds to finance State approved capital building projects for its three campuses in Sanborn and Medina, New York. The amount of \$2,397,856 will be applied to the ongoing projects of security upgrades, lighting upgrades, and paving at both Orleans centers.

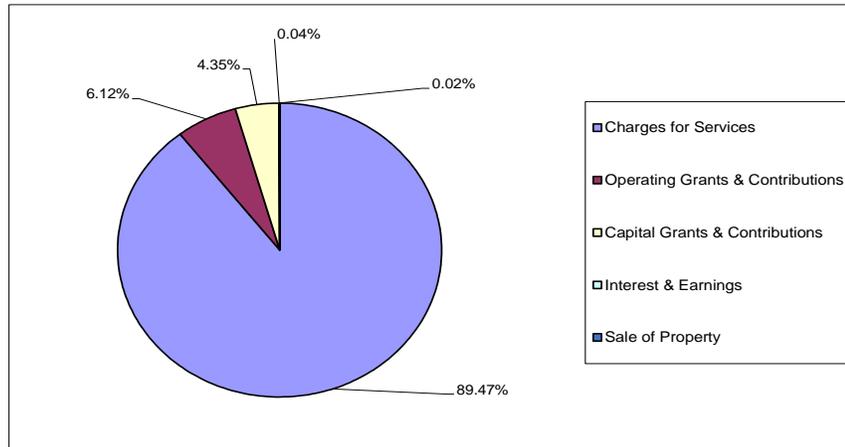
The general fund has created several reserves. The largest is the Employee Benefits Accrued Liability Reserve of \$1,396,930. This reserve is for benefits earned, but not yet used, by employees.

The BOCES has an unemployment reserve of \$665,771 which pays the costs of benefits to former employees. These employees are entitled to coverage under New York State Unemployment Insurance Law. The BOCES has elected to self-fund these benefits and reimburses New York State for all claims. The BOCES has a Career and Technical Education Equipment reserve of \$1,000,331 for the purposes of purchasing technologically advanced career and technical equipment. An Employee Retirement Contribution reserve in the amount of \$1,304,604 is for the purpose of off-setting rising retirement costs for staff in the NYS Employee Retirement System. Additionally, there is a liability reserve of \$122,443 which is available to self-fund minor claims and mitigate insurance premium increases. Finally, the BOCES has encumbered or reserved an amount of \$780,926 from the 2018 budget for year-end purchases which were in process, but not completed, by June 30, 2018.

<u>Changes in Net Position:</u>	<u>2018</u>	<u>2017</u>
Revenues:		
Charges for Services	\$ 67,879,627	\$ 68,000,245
Operating Grants & Contributions	4,642,689	3,853,538
Capital Grants and Contributions	<u>3,300,000</u>	<u>0</u>
 Total Program Revenues	 <u>\$ 75,822,316</u>	 <u>\$ 71,853,783</u>
General Revenue:		
Interest and Earnings	\$ 31,738	\$ 10,877
Miscellaneous	0	0
Sale of Property and Comp. for Loss	<u>15,706</u>	<u>18,674</u>
Total General Revenue	<u>\$ 47,444</u>	<u>\$ 29,551</u>
Program Expenses:		
Administration	\$ 2,050,174	\$ 2,228,266
Career & Tech Education	15,438,693	14,798,691
Instruction – Handicapped	25,020,048	23,603,718
Itinerant Services	2,326,766	2,061,516
General Instruction	4,342,336	4,291,168
Instructional Support	14,197,363	16,300,861
Other Services	<u>9,511,277</u>	<u>9,304,836</u>
Total Expenses	<u>\$ 72,886,657</u>	<u>\$ 72,589,056</u>
 Change in Net Position	 <u>\$ 2,983,103</u>	 <u>\$ (705,722)</u>

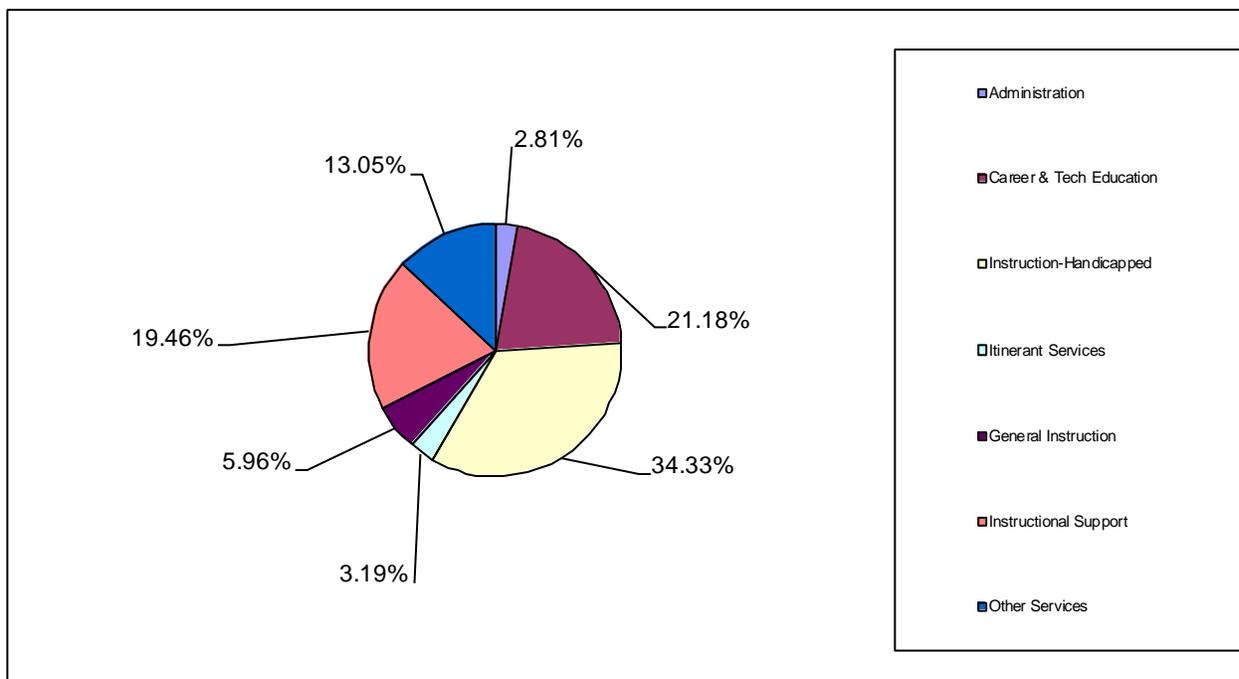
The BOCES' Net Position increased by \$2,983,103. This is due primarily to the donation of a building in Lockport to be used for Literacy and Adult Education. The Net Position increase was offset by a decrease due to an increase in the BOCES net obligation (liability) for OPEB of \$212,620.

Sources of Revenue for Fiscal Year 2018 – Governmental Activities



As illustrated above, the primary source of revenue for the BOCES is charges for services. It provided \$67,879,627, or 89.47%, of the total revenue. BOCES also obtains operating grants from federal, state, and local governments. These revenues totaled \$4,642,689, or 4.35% for the 2018 school year. The BOCES also received the donation of a building in the amount of \$3,300,000, or 6.10% of revenue. Lastly, the amount of \$47,444 or .08% was received for interest and earnings and sale of property.

Program Expenses for Fiscal Year 2018 – Governmental Activities



As noted in the graph of Program Expenses for the fiscal year 2018, instruction for the handicapped accounts for 34.33% of total expenses. The special education programs are designed for students with disabilities whose instructional needs cannot be appropriately served by their local school districts. Handicapped services represent the largest portion of our program expenses. These programs are not BOCES aidable, but do generate excess cost aid for the districts.

The second largest program expenditure is for career and technical education at 21.18%. These programs operate in cooperation with the new graduation requirements, approved by the Board of Regents. Most courses are offered with a "Technical Endorsement" on a student's Regents Diploma. Additionally, several courses are offered with National Certification or State Licensure. The career and technical program is BOCES aidable.

The third largest program expenditure is for Instructional Support at 19.48%. Instructional services are geared toward teacher support in the form of professional development, curriculum development, materials distribution, central printing, and school improvement.

General instruction, or alternative education, provides 5.96% of program expenditures. These programs are provided to students who may not thrive in traditional classroom settings. It also includes the summer school program. Other services which total 19.05% of expenditures include administration, itinerant teaching and many business services such as cooperative bidding, grant writing, health and workers' compensation consortiums, labor relations, safety risk services, and computer services from the Erie 1 BOCES.

Financial Analysis of the BOCES' Funds

As noted earlier, the BOCES uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the BOCES governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the BOCES' financing requirements. In particular, surplus distribution may serve as a useful measure of a government's consistency in budgeting.

As of the end of the 2018 fiscal year, the BOCES' governmental funds reported combined fund balances of \$10,728,720. This fund balance is comprised of a restricted balance of \$4,490,079, and an assigned balance of \$6,238,641. The amount classified as restricted includes a reserve for unemployment insurance of \$665,771, a Career and Technical Education Equipment reserve of \$1,000,331, a reserve for Retirement Contributions of \$1,304,604, a reserve for Employee Benefits Accrued Liability of \$1,396,930, and a reserve for liability of \$122,443. The assigned fund balance includes a reserve for encumbrances of \$780,926, a reserve of \$1,888,940 for OPEB obligations, \$2,397,856 in the Capital Fund and \$1,170,919 in the Special Aid Fund.

The General Fund is the chief operating fund of the BOCES. At the end of the current fiscal year, the total fund balance of the General Fund was \$7,159,945. As a BOCES, we are not allowed to keep any unrestricted fund balances in the General Fund; therefore, 100% of the fund balance has been reserved to aid in the long-term financial plan of the BOCES. The fund balance of the BOCES' General Fund decreased by \$771,390 mainly due to the decrease of \$1,009,100 for funds available for OPEB and a decrease of \$26,163 in the unemployment funds.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$10,036,093. This change is attributable to the increased requests for services from school districts during the year above and beyond their original estimates. By May 1st of each year, the districts are required to have a signed commitment statement with the BOCES for the ensuing school year. After that date, the Orleans/Niagara BOCES components may increase requested services, but not decrease. The exception is in Special Education services. In accordance with New York State Education Law, these services are billed based on actual weekly enrollments. Therefore, the BOCES must adjust the program budget levels up and down to coincide with district service requests on an almost daily basis. Failure to follow this practice could lead the BOCES to a point where the program expenditures exceed revenues in the case of decreasing district enrollments.

The difference between the original budget and the final amended budget in 2017-18 was significantly higher than prior years. Instructional services increased \$ 4 million mainly due to increased cross contracts in the area of computer aided instruction as a result of component districts utilizing Smart Schools Bond monies. In accordance with New York State Education Law, any surplus funds are returned to each district based on their share of participation in each program.

Capital Assets

At June 30, 2018, the BOCES had \$19,726,116, net of accumulated depreciation, invested in a broad range of capital assets, including land, work in progress, buildings and improvements, and machinery and equipment. The capital assets, net of accumulated depreciation, are reflected below.

CLASS	<u>6/30/18</u>	<u>6/30/17</u>
Land	\$ 708,456	\$ 708,456
Work In Progress	3,338,962	2,656,096
Other Capital Assets	<u>15,678,698</u>	<u>13,106,879</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$19,726,116</u>	<u>\$16,471,431</u>

This schedule shows a net increase of \$3,254,685 in capital assets during the current fiscal year due to the acquisition of a new building and work done on projects at all of our Orleans centers.

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

Long-Term Debt

At June 30, 2018, the BOCES had outstanding long-term obligations totaling \$25,488,685. This represents contractual obligations for compensated absences and BOCES' annual cost for other postemployment benefits (OPEB) as determined in accordance of GASB Statement #45. It also includes the BOCES share of the Net Pension Liability for ERS. More detailed information about the BOCES long-term liabilities is presented in the notes to the financial statements.

Factors Bearing on the BOCES' Future

Salaries are the largest of the BOCES expenditures. At the end of the 2017-18 school year, BOCES received 6 staff retirements. It is expected that all of these staff will be replaced and the BOCES budget will benefit from lower costing staff.

Employee benefits is the second largest expenditure of the BOCES, and therefore, trends in employee benefits has a major impact on the BOCES budget. After several years of retirement system increases, we are seeing some relief, the Teachers' Retirement contribution rate decreased to approximately 10.62% and the Employees' Retirement contribution rate decreased to approximately 15%. These decreases will be helpful to the BOCES budget.

The Orleans/Niagara BOCES participates in a health consortium of nine districts. However, the premiums are substantial, exceeding \$8.7 million per year. Through collective bargaining, the BOCES continues to seek to mitigate the increases by negotiating increased cost share with the employees. We have had success in phasing out participation in the traditional indemnity plan. Several of the Affordable Care Act (ACA) taxes remain in effect. This adds to the cost of providing health insurance to the BOCES staff as taxes and fees are passed on to the health consortium.

All collective bargaining contracts are settled at this time.

The most significant factor bearing on the BOCES' future continues to be the financial well-being of the component districts. Even though the Gap Elimination Adjustment (GEA) has been restored, the components have incurred several years of state aid reductions which will not be recouped. In addition the Foundation Formula continues to lag years behind. This has resulted in large reductions in districts' reserves and resources to send students to BOCES programs. Additionally, the tax levy cap of 2% and new unfunded mandates (lead testing, CO detectors, Community Schools Set-Aside, feminine products) continue to burden district resources.

Requests for Information

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

Orleans/Niagara BOCES
Attn: Mrs. Melanie A. Conley
Director of Business Services
4232 Shelby Basin Road
Medina, NY 14103
(716) 731-6800, Extension 2210

ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 17,376,231
Accounts receivable	11,747,164
Long term net pension asset	938,252
Capital Assets:	
Land	708,456
Work in progress	3,338,962
Other capital assets (net of depreciation)	15,678,698
TOTAL ASSETS	<u>\$ 49,787,763</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	<u>\$ 14,805,636</u>
 LIABILITIES	
Accounts payable	\$ 1,164,348
Accrued liabilities	640,439
Unearned revenue	639,745
Due to other governments	2,738
State aid due to districts	9,428,117
Due to school districts	4,047,134
Due to teachers' retirement system	2,202,453
Due to employees' retirement system	269,701
Long-Term Obligations:	
Due in one year	324,250
Due in more than one year	25,164,435
TOTAL LIABILITIES	<u>\$ 43,883,360</u>
 DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	<u>\$ 5,127,686</u>
 NET POSITION	
Net investment in capital assets	\$ 19,726,116
Restricted For:	
Capital projects	2,397,856
CTE equipment reserve	1,000,331
Unemployment reserve	665,771
Retirement contribution reserve	1,304,604
Liability reserve	122,443
Accrued benefit liability reserve	1,396,930
Unrestricted	(11,031,698)
TOTAL NET POSITION	<u>\$ 15,582,353</u>

(See accompanying notes to financial statements)

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Primary Government -						
Administration	\$ 2,050,174	\$ 3,085,041	\$ -	\$ 321,090	\$ 1,355,957	
Career & tech education	15,438,693	13,372,547	890,980	2,252,910	1,077,744	
Instruction for the handicapped	25,020,048	24,532,573	-	519,090	31,615	
Itinerant services	2,326,766	2,304,494	-	-	(22,272)	
General instruction	4,342,336	4,212,667	-	114,510	(15,159)	
Instructional support	14,197,363	10,829,223	3,751,709	78,210	461,779	
Other services	9,511,277	9,543,082	-	14,190	45,995	
Total Primary Government	\$ 72,886,657	\$ 67,879,627	\$ 4,642,689	\$ 3,300,000	\$ 2,935,659	

General Revenues:

Interest and Earnings	\$ 31,738
Sale of property and compensation for loss	15,706
Total General Revenues	\$ 47,444
Changes in Net Position	\$ 2,983,103
Net Position, Beginning of Year (restated)	12,599,250
Net Position, End of Year	\$ 15,582,353

ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Special Aid Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,309,153	\$ 513,401	\$ 1,553,677	\$ 17,376,231
Receivables	9,451,443	2,295,721	-	11,747,164
Due from other funds	224,758	2,297	850,000	1,077,055
TOTAL ASSETS	<u>\$ 24,985,354</u>	<u>\$ 2,811,419</u>	<u>\$ 2,403,677</u>	<u>\$ 30,200,450</u>
LIABILITIES AND FUND BALANCE				
<u>Liabilities -</u>				
Accounts payable	\$ 880,638	\$ 278,250	\$ 5,460	\$ 1,164,348
Accrued liabilities	501,825	138,614	-	640,439
Due to other funds	852,297	224,397	361	1,077,055
Due to other governments	2,724	14	-	2,738
State aid due to districts	9,428,117	-	-	9,428,117
Due to districts	4,047,134	-	-	4,047,134
Due to TRS	1,917,453	285,000	-	2,202,453
Due to ERS	195,221	74,480	-	269,701
Unearned revenues	-	639,745	-	639,745
TOTAL LIABILITIES	<u>\$ 17,825,409</u>	<u>\$ 1,640,500</u>	<u>\$ 5,821</u>	<u>\$ 19,471,730</u>
<u>Fund Balances -</u>				
Restricted	\$ 4,490,079	\$ -	\$ -	\$ 4,490,079
Assigned	2,669,866	1,170,919	2,397,856	6,238,641
TOTAL FUND BALANCE	<u>\$ 7,159,945</u>	<u>\$ 1,170,919</u>	<u>\$ 2,397,856</u>	<u>\$ 10,728,720</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,985,354</u>	<u>\$ 2,811,419</u>	<u>\$ 2,403,677</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,726,116

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

OPEB	(23,495,477)
Compensated absences	(1,297,002)
Net Pension Asset	938,252
Deferred Outflow of Resources - pension	14,805,636
Net Pension Liability	(696,206)
Deferred Inflow of Resources - OPEB	(100,577)
Deferred Inflow of Resources - pension	(5,027,109)
Net Position of Governmental Activities	<u>\$ 15,582,353</u>

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

	General	Special	Nonmajor	Total
	Fund	Aid	Capital	Governmental
	Fund	Fund	Projects	Funds
REVENUES				
Charges for services	\$ 127,105	\$ 383,783	\$ -	\$ 510,888
Charges to components	68,424,137	-	-	68,424,137
Chargest to non-components and other BOCES	1,307,951	-	-	1,307,951
Interest and earnings	23,790	-	-	23,790
Sale of property and compensation for loss	-	15,053	-	15,053
Miscellaneous	1,225,475	2,313,031	-	3,538,506
Interfund revenues	-	-	1,100,000	1,100,000
State sources	-	2,855,798	-	2,855,798
Federal sources	-	1,786,891	-	1,786,891
TOTAL REVENUES	\$ 71,108,458	\$ 7,354,556	\$ 1,100,000	\$ 79,563,014
EXPENDITURES				
Administration	\$ 3,053,782	\$ -	\$ -	\$ 3,053,782
Career and tech education	12,604,596	1,351,857	-	13,956,453
Instruction for the handicapped	22,923,989	1,661,399	-	24,585,388
Itinerant services	2,304,494	-	-	2,304,494
General instruction	4,202,057	-	-	4,202,057
Instructional support	10,344,109	3,709,499	-	14,053,608
Other services	9,489,053	1,142	-	9,490,195
Capital outlay	-	-	682,866	682,866
TOTAL EXPENDITURES	\$ 64,922,080	\$ 6,723,897	\$ 682,866	\$ 72,328,843
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	\$ 6,186,378	\$ 630,659	\$ 417,134	\$ 7,234,171
OTHER CHANGES IN FUND BALANCE				
Surplus to be distributed	(4,768,326)	-	-	(4,768,326)
E-rate distribution/other BOCES refunds	(1,133,529)	-	-	(1,133,529)
Net unemployment reserve transactions	(26,163)	-	-	(26,163)
Net capital reserve transactions	(24,899)	-	-	(24,899)
Net retirement contribution reserve transactions	3,107	-	-	3,107
Net assigned OPEB change	(1,009,100)	-	-	(1,009,100)
Net employee benefit accrued liability reserve transactions	850	-	-	850
Net liability retention transactions	292	-	-	292
FUND BALANCE, BEGINNING OF YEAR	7,931,335	540,260	1,980,722	10,452,317
FUND BALANCE, END OF YEAR	\$ 7,159,945	\$ 1,170,919	\$ 2,397,856	\$ 10,728,720

(See accompanying notes to financial statements)

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

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS \$ 276,403

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 682,866	
Donation of Building	3,300,000	
Addition of Assets, Net	458,731	
Depreciation	<u>(1,186,912)</u>	
		3,254,685

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (313,197)

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

Teachers' Retirement System		(390,722)
Employees' Retirement System		34,635

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

Compensated Absences		<u>121,299</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,983,103**

ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Fiduciary Net Position
June 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,696	\$ 13,457,009
Accounts receivable	-	109,772
Total Assets	<u>\$ 37,696</u>	<u>\$ 13,566,781</u>
Liabilities		
Current Liabilities		
Student activity balance	\$ -	\$ 78,997
Other liabilities	-	624,701
Other liabilities - employee contributions	-	475,182
Other liabilities - worker's comp consortium	-	2,457,873
Other liabilities - health consortium	-	9,930,028
Total liabilities	<u>\$ -</u>	<u>\$ 13,566,781</u>
Net Assets		
Restricted for scholarships	<u>\$ 37,696</u>	
Total Net Assets	<u>\$ 37,696</u>	

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

	<u>Private Purpose Trust</u>
Additions	
Interest and earnings	\$ 99
Donations	23,981
Deductions	
Scholarships and other trust expenses	<u>(32,731)</u>
Change in Net Assets	\$ (8,651)
Net Assets, Beginning of Year	<u>46,347</u>
Net Assets, End of Year	<u>\$ 37,696</u>

(See accompanying notes to financial statements)

ORLEANS - NIAGARA

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Notes To The Basic Financial Statements

June 30, 2018

I. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

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

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

Albion	Barker	Lewiston Porter
Lockport	Lyndonville	Medina
Newfane	Niagara Falls City School	Niagara Wheatfield
North Tonawanda	Royalton Hartland	Starpoint
Wilson		

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

(I.) (Continued)

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

1. Extraclassroom Activity Funds

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

B. Basic Financial Statements

1. BOCES-wide Financial Statements

The Statement of Net Assets 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 component tuition, sale of property and equipment, investment revenues and miscellaneous revenues which consist primarily of refunds from other BOCES. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

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

2. Fund Financial Statements

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

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

(I.) (Continued)

The BOCES reports the following funds:

a. **Major Governmental Funds**

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

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

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

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

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

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

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

(I.) (Continued)

The BOCES-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Component tuitions together with state and federal aid for grants are susceptible to accrual and have been recognized as revenues of the current fiscal period.

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

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

D. Restricted Resources

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

E. Interfund Transactions

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

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

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

Refer to Note VIII for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

(I.) (Continued)

F. Estimates

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

G. Cash and Cash Equivalents / Investments

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

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

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

H. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

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

I. Prepaid Items

Prepaid items represent payments made by the BOCES for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

J. Capital Assets - Property, Plant and Equipment

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

(I.) (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 5,000	SL	5-25 Years

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

K. Unearned Revenue

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

L. Vested Employee Benefits

1. Compensated Absences

It is BOCES' policy to pay employees for unused vacation and compensatory time when there is a separation from service. For governmental activities the unfunded compensated absences are not considered current financial resources and are not reported in the governmental funds. On the BOCES-wide Statement of Net Assets these amounts are reported as long-term obligations with the current amount reported as due in one year and the long term portion is reported as due in more than one year.

M. Other Benefits

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

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

(I.) (Continued)

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Deferred Outflows and Inflows of Resources

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

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

P. Equity Classifications

1. BOCES-Wide Statements

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

(I.) (Continued)

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

2. **Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The BOCES had no nonspendable fund balance at June 30, 2018.
- b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Career & Technical Education Equipment Reserve - established to fund the purchase of equipment in accordance with New York State guidelines.

Unemployment Insurance Reserve - as allowed by General Municipal Law Section 6-m, is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated.

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

Reserve for Liability - is established to pay for unanticipated liability claims incurred against the BOCES.

(I.) (Continued)

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

Restricted fund balances include the following:

General Fund -

CTE - Equipment Reserve	\$ 1,000,331
Employee Benefit Accrued Liability	1,396,930
Liability	122,443
Retirement Contribution	1,304,604
Unemployment Insurance	665,771
Total Restricted Funds	<u><u>\$ 4,490,079</u></u>

b. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES' highest level of decision making authority, i.e., the Board of Education. The BOCES has no committed fund balances as of June 30, 2018.

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

Significant encumbrances for the general fund, which management has determined are in excess of \$99,000 to be considered significant, and the following significant encumbrances exist at year end: Administration \$103,789, Career and Tech Education \$509,594, and Instruction for the Handicapped \$118,989.

Assigned fund balances include the following:

Assigned for Retiree Health	\$ 1,888,940
Assigned for Encumbrances	780,926
Capital Projects	2,397,856
Special Aid Fund	1,170,919
Total Assigned Fund Balance	<u><u>\$ 6,238,641</u></u>

(I.) (Continued)

3. Order of Use of Fund Balance

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

Q. New Accounting Standards

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

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

GASB has issued Statement 85, *Omnibus 2017*.

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

R. Future Changes in Accounting Standards

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

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

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

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

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019

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

II. Restatement of Net Position

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

	<u>Districtwide Statements</u>
	<u>Governmental Activities</u>
Net position beginning of year, as previously stated	\$ 25,238,745
Increase to OPEB liability	<u>(12,639,495)</u>
Net position beginning of year, as restated	<u><u>\$ 12,599,250</u></u>

III. Changes in Accounting Principles

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

IV. Stewardship, Compliance and Accountability:

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

A. Budgetary Information

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

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

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

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

(IV.) (Continued)

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

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

B. 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.

V. Cash and Cash Equivalents

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

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

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		15,372,686
Collateralized within Trust department or agent		12,718,160
Total	\$	<u>28,090,846</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end included \$4,490,079 within the governmental funds and \$37,696 in the fiduciary funds.

VI. Investments

The BOCES has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The BOCES' investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

(VI.) (Continued)

- A. Insured or registered, or investments held by the BOCES or by the BOCES' agent in the BOCES' name, or
- B. Uninsured and unregistered, with the investments held by the financial institutes trust department in the BOCES' name, or
- C. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the BOCES' name.

<u>Investments by Fair Value Level</u>	<u>June 30, 2018</u>	<u>Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
US Treasury Notes	\$ 2,312,180	\$ 2,312,180

The BOCES does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

VII. Receivables

Receivables at June 30, 2018 for individual major funds and non-major funds, are as follows:

<u>Description</u>	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Total</u>
Accounts Receivable	\$ 23,326	\$ 156,387	\$ 179,713
State and Federal Aid	9,428,117	2,139,334	11,567,451
Total	\$ 9,451,443	\$ 2,295,721	\$ 11,747,164

VIII. Interfund Receivables and Payables

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

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 224,758	\$ 852,297
Special Aid Fund	2,297	224,397
Capital Fund	850,000	361
Total government activities	\$ 1,077,055	\$ 1,077,055

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

Transfers are used to finance certain special aid programs and support capital project expenditures.

IX. Changes In Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 708,456	\$ -	\$ -	\$ 708,456
Work in progress	2,656,096	682,866	-	3,338,962
<i>Total Nondepreciable</i>	<u>\$ 3,364,552</u>	<u>\$ 682,866</u>	<u>\$ -</u>	<u>\$ 4,047,418</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 30,563,596	\$ 3,300,000	\$ -	\$ 33,863,596
Machinery and equipment	3,121,100	492,707	(132,137)	3,481,670
<i>Total Depreciable</i>	<u>\$ 33,684,696</u>	<u>\$ 3,792,707</u>	<u>\$ (132,137)</u>	<u>\$ 37,345,266</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 18,882,232	\$ 980,632	\$ -	\$ 19,862,864
Machinery and equipment	1,695,585	206,280	(98,161)	1,803,704
<i>Total accumulated depreciation</i>	<u>\$ 20,577,817</u>	<u>\$ 1,186,912</u>	<u>\$ (98,161)</u>	<u>\$ 21,666,568</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 13,106,879</u>	<u>\$ 2,605,795</u>	<u>\$ (33,976)</u>	<u>\$ 15,678,698</u>
Total Capital Assets	<u>\$ 16,471,431</u>	<u>\$ 3,288,661</u>	<u>\$ (33,976)</u>	<u>\$ 19,726,116</u>

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

<u>Governmental Activities:</u>	
Administration	\$ 115,482
Career and Tech Education	810,355
Instruction for the Handicapped	186,660
General Instruction	41,211
Instructional Support	28,078
Other Services	5,126
Total Depreciation Expense	<u>\$ 1,186,912</u>

X. Long-Term Debt

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

<u>Governmental Activities:</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
<u>Other Liabilities -</u>					
Compensated Absences	\$ 1,418,301	\$ -	\$ 121,299	\$ 1,297,002	\$ 324,250
OPEB	23,282,857	212,620	-	23,495,477	-
Net Pension Liability	3,312,108	-	2,615,902	696,206	-
Total Other Liabilities	<u>\$ 28,013,266</u>	<u>\$ 212,620</u>	<u>\$ 2,737,201</u>	<u>\$ 25,488,685</u>	<u>\$ 324,250</u>
Total Long-Term Obligations	<u>\$ 28,013,266</u>	<u>\$ 212,620</u>	<u>\$ 2,737,201</u>	<u>\$ 25,488,685</u>	<u>\$ 324,250</u>

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

XI. Deferred Inflows/Outflows of Resources

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

	Deferred Inflows	Deferred Outflows
Pension	\$ 5,027,109	\$ 14,805,636
OPEB	100,577	-
Total	<u>\$ 5,127,686</u>	<u>\$ 14,805,636</u>

XII. Pension Plans

A. General Information

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

B. Provisions and Administration

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

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

(XII) (Continued)

C. Funding Policies

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

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

<u>Contributions</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2018	\$ 1,917,453	\$ 1,023,273

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

At June 30, 2018, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	March 31, 2018	June 30, 2017
Net pension assets/(liability)	\$ (696,206)	\$ 938,252
District's portion of the Plan's total net pension asset/(liability)	0.021500%	0.123438%

For the year ended June 30, 2018, the BOCES recognized pension expenses of \$971,076 for ERS and \$2,356,667 for TRS. At June 30, 2018, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(XII) (Continued)

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 248,314	\$ 771,951	\$ 205,197	\$ 365,814
Changes of assumptions	461,642	9,546,894	-	-
Net difference between projected and actual earnings on pension plan investments	1,011,184	-	1,995,975	2,209,854
Changes in proportion and differences between the District's contributions and proportionate share of contributions	359,477	171,157	31,659	218,610
Subtotal	<u>\$ 2,080,617</u>	<u>\$ 10,490,002</u>	<u>\$ 2,232,831</u>	<u>\$ 2,794,278</u>
District's contributions subsequent to the measurement date	269,701	1,965,316	-	-
Grand Total	<u>\$ 2,350,318</u>	<u>\$ 12,455,318</u>	<u>\$ 2,232,831</u>	<u>\$ 2,794,278</u>

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ -	\$ 214,913
2019	278,436	2,523,606
2020	220,812	1,805,304
2021	(451,266)	446,505
2022	(200,196)	1,800,046
Thereafter	-	905,350
Total	<u>\$ (152,214)</u>	<u>\$ 7,695,724</u>

E. Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

(XII) (Continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2017. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

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

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

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

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(XII) (Continued)

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

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

	1% Decrease <u>(6%)</u>	Current Assumption <u>(7%)</u>	1% Increase <u>(8%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (5,267,680)	\$ (696,206)	\$ 3,171,079
	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (16,163,298)	\$ 938,252	\$ 15,259,951

H. Pension Plan Fiduciary Net Position

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

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

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$195,221.

(XII) (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$1,917,453.

XIII. Postemployment Benefits

A. General Information About the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	75
Active Employees	<u>439</u>
Total	<u><u>514</u></u>

B. Total OPEB Liability

The BOCES' total OPEB liability of \$23,495,477 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

(XIII) (Continued)

Salary Increases	2.50%
Discount Rate	3.62%
Healthcare Cost Trend Rates	Initial rate of 7.0% for pre-65 medical, and 6.0% for post-65 medical, decreasing to and ultimate rate of 3.886% for 2075 and later
Retirees' Share of Benefit-Related Costs	BOCES pays 90-100% for a varying number of years based on contract, after which the retiree pays

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

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, and then adjusted for mortality improvements with scale MP-2017.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 23,282,857</u>
<u>Changes for the Year -</u>	
Service cost	\$ 1,162,762
Interest	840,256
Differences between expected and actual experience	(3,993)
Changes in assumptions or other inputs	(100,577)
Benefit payments	<u>(1,685,828)</u>
Net Changes	<u>\$ 212,620</u>
Balance at June 30, 2018	<u><u>\$ 23,495,477</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.62 percent in 2018.

The two-year delay of the Cadillac tax (The 40% excess tax on high cost employer-sponsored group health plans) from 202 to 2022 was reflected as of July 1, 2017. The tax was previously delayed from 2018 to 2020 and now will be effective in 2022. This resulted in a decrease in liabilities.

Changes in benefit terms: As of June 30th, 2018, the change in the staff specialist contribution amount from 6% to 7% was reflected.

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

	1% Decrease	Discount Rate	1% Increase
	<u>(2.62%)</u>	<u>(3.62%)</u>	<u>(4.62%)</u>
Total OPEB Liability	\$ 25,205,102	\$ 23,495,477	\$ 21,905,617

(XIII) (Continued)

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 21,131,836	\$ 23,495,477	\$ 26,316,369

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

For the year ended June 30, 2018, the BOCES recognized OPEB expense of \$1,999,025. At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ -
Changes of assumptions	100,577
Total	<u>\$ 100,577</u>

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

<u>Year</u>	
2019	\$ 9,736
2020	9,736
2021	9,736
2022	9,736
2023	9,736
Thereafter	51,897
Total	<u>\$ 100,577</u>

XIV. Risk Management

A. General Information

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

(XIV) (Continued)

B. Health Plan

The BOCES incurs costs related to the Orleans-Niagara Experience Rated Health Insurance Group Plan (Plan) sponsored by the Orleans-Niagara Board of Cooperative Educational Services and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage. Membership in the Plan may be offered to only public school districts and BOCES served by Blue Cross/Blue Shield of Western New York or by any other health or medical insurance organizations as determined by the Board of Governors. There is a required waiting period of one year from request of enrollment to actual enrollment date. Also, during the year prior to requested membership acceptance the new members experience rating should equal or better the experience rating of the group as then constituted.

Voluntary withdrawal from the Plan is subject to the following constraints:

1. Irrevocable notice of withdrawal must be given in writing to the Chairperson of the Board of Directors and the Treasurer prior to January 1st.
2. Any withdrawing Participant shall be responsible for payment of its pro-rata share of any Plan deficit or entitled to receive any pro-rata share of surplus existing as of the last day of the Plan year.

Plan members include Orleans-Niagara BOCES and eight districts bearing an equal and proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement as signed by the participants, the Plan is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessment shall be charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the BOCES incurred premiums or contribution expenditures totaling \$8,777,527.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2017, revealed that the Plan was fully funded.

(XIV) (Continued)

C. Workers' Compensation

The BOCES incurs costs related to the Orleans-Niagara Workers' Compensation Consortium sponsored by the Orleans-Niagara Board of Cooperative Educational Services and its component districts. The Consortium's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Consortium may be offered to any component district of the Orleans-Niagara BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Consortium may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of BOCES and five districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the BOCES incurred premiums or contribution expenditures totaling \$226,611.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2017, revealed that the Plan is fully funded.

D. Unemployment

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2017-18 fiscal year totaled \$30,729. The balance of the fund at June 30, 2018 was \$665,771 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XV. Commitments and Contingencies

A. Litigation

There is no pending litigations as of the audit report date.

B. Lease Agreements

1. Operating Leases

The BOCES leases buildings and equipment under several leases extending to 2020.

Total rent expense under the noncancellable operating leases was \$449,089 during the year ended June 30, 2018. Minimum rental commitments as of June 30, 2018 for these leases are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021-25</u>	<u>2026-28</u>	<u>Total</u>
7170 Group LLC - 606 6th Street	\$ 148,479	\$ 148,479	\$ 767,569	\$ 322,133	\$ 1,386,660
Royalton Hartland - ES	18,624	18,624	-	-	37,248
North Tonawanda-MS	56,145	56,145	-	-	112,290
Eastern Niagara Hospital	10,250	-	-	-	10,250
Total Long-Term Obligations	\$ 233,498	\$ 223,248	\$ 767,569	\$ 322,133	\$ 1,546,448

C. Grants and reimbursements

The BOCES has received grants and reimbursements, 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 upon prior years' experience, the BOCES' administration believes disallowances, if any, will be immaterial.

XVI. Leased Assets:

The BOCES also leased out land for \$1,200 annually, and classrooms for \$8,000 annually at Saunders Settlement. Road.

XVII. Budget Revisions:

<u>Program</u>	<u>Original 2017-18 Budget</u>	<u>Purpose</u>	<u>Amount</u>	<u>Revised Budget</u>
Administration	\$ 3,352,594	Carry over encumbrances	\$ (25,048)	\$ 3,327,546
Career & Tech Education	13,426,838	Less services & reimbursable supplies	(6,342)	13,420,496
Handicapped Instruction	21,902,012	Increase in enrollment	4,164,061	26,066,073
Itinerant Service	2,405,506	Increase in service requests	305,264	2,710,770
General Instruction	4,325,435	Increase in enrollment	156,127	4,481,562
Instructional Support	6,447,334	Increase in cross contract	4,088,205	10,535,539
Other Services	8,471,297	Increase in cross contract	1,353,826	9,825,123
Totals	\$ 60,331,016		\$ 10,036,093	\$ 70,367,109

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

TOTAL OPEB LIABILITY	
	<u>2018</u>
Service cost	\$ 1,162,762
Interest	840,256
Changes in benefit terms	(3,993)
Changes of assumptions or other inputs	(100,577)
Benefit payments	<u>(1,685,828)</u>
Net Change in Total OPEB Liability	\$ 212,620
Total OPEB Liability - Beginning (restated)	\$ <u>23,282,857</u>
Total OPEB Liability - Ending	\$ <u><u>23,495,477</u></u>
 Covered Employee Payroll	 \$ 28,380,000
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 82.79%

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

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

<u>NYSERS Pension Plan</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0216%	0.0216%	0.0023%	0.0224%
Proportionate share of the net pension liability (assets)	\$ 696,206	\$ 2,028,469	\$ 3,668,219	\$ 755,396
Covered-employee payroll	\$ 6,687,782	\$ 6,465,922	\$ 6,463,474	\$ 6,215,543
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	10.410%	31.372%	56.753%	12.153%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%
<u>NYSTRS Pension Plan</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1234%	0.1199%	0.1206%	0.1250%
Proportionate share of the net pension liability (assets)	\$ (938,252)	\$ 1,283,639	\$ (12,522,757)	\$ (13,918,900)
Covered-employee payroll	\$ 20,100,935	\$ 19,556,814	\$ 18,456,325	\$ 18,623,108
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-4.668%	6.564%	-67.851%	-74.740%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

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

Required Supplementary Information
ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2018

NYSERS Pension Plan Last Two Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,023,273	\$ 1,009,625	\$ 1,250,800	\$ 1,194,821
Contributions in relation to the contractually required contribution	(1,023,273)	(1,009,625)	(1,250,800)	(1,194,821)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 6,687,782	\$ 6,465,922	\$ 6,463,474	\$ 6,215,543
Contributions as a percentage of covered-employee payroll	15.30%	15.61%	19.35%	19.22%

NYSTRS Pension Plan Last Two Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,917,453	\$ 2,504,094	\$ 2,627,791	\$ 3,174,752
Contributions in relation to the contractually required contribution	(1,917,453)	(2,504,094)	(2,627,791)	(3,174,752)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 20,100,935	\$ 19,556,814	\$ 18,456,325	\$ 18,623,108
Contributions as a percentage of covered-employee payroll	9.54%	12.80%	14.24%	17.05%

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

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

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 3,352,594	\$ 3,327,546	\$ 4,536,384	\$ 1,208,838
Career and Tech Education 100-199	13,426,838	13,420,496	13,343,349	(77,147)
Instruction for Handicapped 200-299	21,902,012	26,066,073	25,990,513	(75,560)
Itinerant 300-399	2,405,506	2,710,770	2,710,770	-
General Instruction 400-499	4,325,435	4,481,562	4,474,292	(7,270)
Instructional Support 500-599	6,447,334	10,535,539	10,529,302	(6,237)
Other Services 600-699	<u>8,471,297</u>	<u>9,825,123</u>	<u>9,523,848</u>	<u>(301,275)</u>
TOTAL REVENUES	<u><u>\$ 60,331,016</u></u>	<u><u>\$ 70,367,109</u></u>	<u><u>\$ 71,108,458</u></u>	<u><u>\$ 741,349</u></u>

(See Independent Auditors' Report)

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

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 3,352,594	\$ 3,327,546	\$ 3,053,782	\$ 103,789	\$ 169,975
Career and Tech Education 100-199	13,426,838	13,420,496	12,604,596	509,594	306,306
Instruction for Handicapped 200-299	21,902,012	26,066,074	22,923,989	118,989	3,023,096
Itinerant 300-399	2,405,506	2,710,770	2,304,494	-	406,276
General Instruction 400-499	4,325,435	4,481,562	4,202,057	26,889	252,616
Instructional Support 500-599	6,447,334	10,535,538	10,344,109	18,320	173,109
Other Services 600-699	8,471,297	9,825,123	9,489,053	3,345	332,725
TOTAL EXPENDITURES	\$ 60,331,016	\$ 70,367,109	\$ 64,922,080	\$ 780,926	\$ 4,664,103
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ 6,186,378		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.
(See Independent Auditors' Report)

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

	2018
July 1, 2017 - DEBIT (CREDIT) BALANCE	\$ (5,403,728)
DEBITS:	
Billings to school districts	\$ 69,732,088
Refund of balances made to school districts	6,791,367
Refund of balances made to other BOCES	901,164
Encumbrances - June 30, 2018	780,926
Total Debits	\$ 78,205,545
TOTAL	\$ 72,801,817
CREDITS:	
Collections from school districts	\$ 70,166,170
Adjustment - credits to school districts - revenues in excess of expenditures	6,186,378
Encumbrances - June 30, 2017	496,403
Total Credits	\$ 76,848,951
JUNE 30, 2018 - DEBIT (CREDIT) BALANCE	\$ (4,047,134)

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

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Authorization</u>	<u>Methods of Financing</u>		<u>Fund Balance</u>
			<u>Prior Year's</u>	<u>Current Year</u>	<u>Total</u>		<u>Local Sources</u>	<u>Total</u>	
Unallocated project balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,222
Orleans Learning Center	625,000	625,000	-	209,866	209,866	415,134	625,000	625,000	415,134
Orleans Center	<u>2,499,900</u>	<u>1,875,000</u>	<u>7,500</u>	<u>473,000</u>	<u>480,500</u>	<u>1,394,500</u>	<u>2,225,000</u>	<u>2,225,000</u>	<u>1,744,500</u>
Total	<u>\$ 3,124,900</u>	<u>\$ 2,500,000</u>	<u>\$ 7,500</u>	<u>\$ 682,866</u>	<u>\$ 690,366</u>	<u>\$ 1,809,634</u>	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,397,856</u>

**ORLEANS - NIAGARA
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Direct Programs:</u>				
<u>Student Financial Assistance Program Cluster -</u>				
Federal Pell Grant Program	84.063	N/A	N/A	\$ 148,536
Federal Direct Student Loans	84.268	N/A	N/A	262,311
<i>Total Student Financial Assistance Program Cluster</i>				<u>\$ 410,847</u>
Total Direct Programs				<u>\$ 410,847</u>
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Special Education Cluster -</u>				
RSETASC	84.027	N/A	C010303	\$ 307,549
<i>Total Special Education Cluster</i>				<u>\$ 307,549</u>
Perkins IV	84.048	N/A	8000-18-0131	288,537
WIA, Title II, Adult Education	84.002	N/A	2338-18-2127	120,756
WIA, Title II, Adult Education	84.002	N/A	2338-18-2128	49,938
Total Indirect Programs				<u>\$ 766,780</u>
Total U.S. Department of Education				<u>\$ 1,177,627</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed through NYS Office of Temporary and Disability Insurance -</u>				
<u>SNAP Cluster -</u>				
Food Stamp Employment and Training	10.561	N/A	C021211	\$ 227,908
Supplemental Nutrition Assistance Venture	10.561	N/A	C00258GG	233,013
<i>Total SNAP Cluster</i>				<u>\$ 460,921</u>
Total U.S. Department of Agriculture				<u>\$ 460,921</u>
<u>U.S. Department of Labor:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through Niagara County Workforce Development Board -</u>				
Workforce Innovation and Opportunity Act	17.259	N/A	PY2016-Y-03	\$ 14,843
Workforce Innovation and Opportunity Act	17.259	N/A	PY2017-Y-03	101,417
Total U.S. Department of Labor				<u>\$ 116,260</u>
<u>U.S. Department of Health and Human Services:</u>				
<u>Indirect Program:</u>				
<u>Passed through NYS Office of Temporary and Disability Insurance -</u>				
Temporary Assistance for Needy Families	93.558	N/A	C0013GC	\$ 24,837
Temporary Assistance for Needy Families	93.558	N/A	C0013GG	7,245
Total U.S. Department of Health and Human Services				<u>\$ 32,082</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,786,890</u>

RAYMOND F. WAGER, CPA, P.C.

Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Board Members
Orleans - Niagara
Board of Cooperative Educational Services, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Orleans-Niagara Board of Cooperative Educational Services, New York's basic financial statements, and have issued our report thereon dated October 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Rochester, New York
October 2, 2018