

# CAYUGA-ONONDAGA BOCES

Auburn, New York

## FINANCIAL REPORT

June 30, 2018



**CAYUGA-ONONDAGA BOCES**  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Cayuga-Onondaga BOCES  
Auburn, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cayuga-Onondaga BOCES (BOCES) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise 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 of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of BOCES, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During the year ended June 30, 2018, BOCES adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As discussed in Notes 9 and 12 to the financial statements, net position as of June 30, 2017 was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedule, Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios, the Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability, and the related notes to required supplementary information on pages 4-4j and 41-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 BOCES' basic financial statements. The supplementary information on pages 49-50a is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018 on our consideration of BOCES' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 BOCES' internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 25, 2018

# **CAYUGA-ONONDAGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of Cayuga-Onondaga BOCES (BOCES) financial performance provides an overview of BOCES' financial activities for the year ended June 30, 2018 and discusses results of the current year in comparison with the prior year, with an emphasis placed on the current year. It should be read in conjunction with the basic financial statements to enhance understanding of BOCES' financial performance, which immediately follows this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

Cayuga-Onondaga BOCES (BOCES) is an educational institution formed under New York State Public Education Law No. 1950. It was formed to provide educational and management services to its 9 component school districts in New York's Cayuga and Onondaga counties. Additionally, other school districts may purchase services from BOCES by "cross-contracting" through their own local BOCES.

BOCES receives no state aid and has no taxing authority; therefore, the majority of its revenues are derived from charges for its services to school districts. Billings for services provided to school districts and other BOCES totaled \$39,646,080 in the General Fund for the current fiscal year. In accordance with New York State Public Education Law, BOCES does not maintain a General Fund unassigned fund balance. Instead, all revenue collected in excess of annual expenditures is 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 \$3,958,078.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," BOCES has recorded their proportionate share of the net pension (asset) liability of the ERS and TRS pension plans. Additionally, deferred inflows and deferred outflows of resources were recognized. The net effect increased pension expense in the Government-wide financial statements by \$194,229. See Note 8 for more detailed information.

During the year ended June 30, 2018, BOCES adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(33,504,500). GASB Statement No. 75 requires BOCES to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. See Notes 9 and 12 for more detailed information.

# **CAYUGA-ONONDAGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to BOCES basic financial statements. BOCES basic financial statements are comprised of four components: (1) Government-wide financial statements, (2) Governmental Fund financial statements, (3) Fiduciary Funds and (4) Notes to the financial statements. This report also contains budgetary comparison statements for the General Fund, a Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios related to the unfunded actuarial accrued liability related to postemployment benefits, and schedules related to pension obligations, which is information required by the GASB, and other supplementary financial information, in addition to the basic financial statements and Government-wide financial statements.

These two statements are Government-wide financial statements that provide both short-term and long-term information about BOCES overall financial status in a manner similar to private-sector business.

- The **Statement of Net Position** presents information on all of BOCES' assets, deferred outflows of resources, liabilities, and deferred outflows of resources, with the difference reported as net position. Although the purpose of BOCES is not to accumulate net resources, over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of BOCES is improving or deteriorating.
- The **Statement of Activities** presents the revenue, expenses, and corresponding change in net position of 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 BOCES include administration, capital improvements, career and technical education, instruction for special education, itinerant services, general instruction, instructional support, and other services.

### **Governmental Fund Financial Statements**

A fund is a grouping of related accounts 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 balance, revenues, and expenditures. BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

# **CAYUGA-ONONDAGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

**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 Governmental 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 Governmental 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 fund balance. Likewise, the operating statement for Governmental Funds reports only those revenues and expenditures 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, as it doesn't require a cash payment.

Because different accounting bases are used to prepare Governmental 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 net position, an analysis is presented following the Balance Sheet. Also, the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the total change in fund balances for all Governmental Funds to the change in net position as reported in the Statement of Activities.

BOCES maintains three types of governmental funds: General, Special Aid, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for each fund.

BOCES adopts an annual budget for its General and Capital Projects Funds. A Budgetary Comparison Statement has been provided for the General Fund as required supplementary information to demonstrate compliance with the budget.

**Fiduciary Funds** are used to account for assets held by BOCES on behalf of others. BOCES 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 BOCES programs. The financial statements for the Governmental and Fiduciary Funds can be found in the basic financial statement section of this report.

### **Notes to the Financial Statements**

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

# CAYUGA-ONONDAGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

As stated earlier, net position can serve as a useful indicator of BOCES' financial position over time. As of June 30, 2018, BOCES' liabilities and deferred inflow of resources exceeded its assets and deferred outflow of resources by \$15,161,626. BOCES' combined net position (deficit) for the fiscal year ended June 30, 2018 increased by \$2,781,923. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Governmental Activities.

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>Restated - 2017</i>	<i>2018</i>	<i>2017-2018</i>
	<i>Current assets</i>	\$ 7,118,886	\$ 7,021,775
<i>Noncurrent assets</i>	1,277,651	1,689,502	411,851
<i>Capital assets, net</i>	32,914,837	32,167,014	(747,823)
<b><i>Total Assets</i></b>	<b>41,311,374</b>	<b>40,878,291</b>	<b>(433,083)</b>
<i>Pensions</i>	7,304,818	7,778,848	474,030
<i>Other postemployment benefits</i>	489,272	617,263	127,991
<b><i>Total Deferred Outflows of Resources</i></b>	<b>7,794,090</b>	<b>8,396,111</b>	<b>602,021</b>
<i>Current liabilities</i>	6,824,952	6,341,744	(483,208)
<i>Noncurrent liabilities</i>	53,943,247	42,311,421	(11,631,826)
<b><i>Total Liabilities</i></b>	<b>60,768,199</b>	<b>48,653,165</b>	<b>(12,115,034)</b>
<i>Pensions</i>	716,968	3,636,604	2,919,636
<i>Other postemployment benefits</i>	-	12,146,259	12,146,259
<b><i>Total Deferred Inflows of Resources</i></b>	<b>716,968</b>	<b>15,782,863</b>	<b>15,065,895</b>
<i>Net investment in capital assets</i>	32,914,837	32,167,014	(747,823)
<i>Restricted</i>	1,571,585	1,934,495	362,910
<i>Unrestricted (deficit)</i>	(46,866,125)	(49,263,135)	(2,397,010)
<b><i>Total Net Position (Deficit)</i></b>	<b>\$ (12,379,703)</b>	<b>\$ (15,161,626)</b>	<b>\$ (2,781,923)</b>

The decrease in current assets is primarily due to a decrease in cash and cash equivalents. The increase in noncurrent assets is primarily the result of a change in actuarial assumptions for the NYSTRS pension plan which subsequently resulted in the net pension liability increasing to a net pension asset of \$435,038. The decrease in capital assets, net, reflects annual depreciation expense in excess of current year additions.

Deferred outflows of resources and deferred inflows of resources increased as a result of changes in actuarial assumptions related to NYSTRS and NYSLRS pension plans, as well as BOCES' implementation of GASB Statement No. 75.

# CAYUGA-ONONDAGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Current liabilities decreased from 2017; this decrease is largely related to the following changes:

Amounts due to school districts	\$ (90,494)
Compensated absences	(47,086)
Overpayments and collections in advance	(213,830)
Due to Teachers' Retirement System	(146,581)
Due to Employees' Retirement System	14,400

Noncurrent liabilities decreased (21.56%). This decrease is primarily due to the change in other postemployment benefits liabilities, as well as decreases in the net pension liability.

The largest component of BOCES' net position reflects its net investment in capital assets. BOCES uses capital assets to provide programs and services to its component districts and students. Consequently, these assets are not available for future spending.

Our analysis in *Figure 2* considers the operations of BOCES' activities.

**Figure 2**

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 36,887,671	\$ 37,065,336	\$ 177,665
<i>Operating grants and contributions</i>	1,343,122	1,522,070	178,948
<i>General Revenues:</i>			
<i>Use of money and property</i>	(6,638)	13,969	20,607
<i>Refund of prior year's expenses</i>	874,958	803,369	(71,589)
<i>Change in reserves</i>	(34,457)	342,830	377,287
<i>Other general revenues</i>	75,860	86,658	10,798
<b>Total Revenues</b>	<b>\$ 39,140,516</b>	<b>\$ 39,834,232</b>	<b>\$ 693,716</b>
<b>PROGRAM EXPENSES</b>			
<i>Administration</i>	2,181,287	2,119,967	(61,320)
<i>Career and technical education</i>	6,358,786	6,394,199	35,413
<i>Instruction for special education</i>	13,034,956	12,421,671	(613,285)
<i>Itinerant services</i>	1,165,998	950,304	(215,694)
<i>General instruction</i>	4,127,471	4,256,753	129,282
<i>Instructional support</i>	8,325,283	8,256,838	(68,445)
<i>Other services</i>	8,634,044	8,216,423	(417,621)
<b>Total Expenses</b>	<b>\$ 43,827,825</b>	<b>\$ 42,616,155</b>	<b>\$ (1,211,670)</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (4,687,309)</b>	<b>\$ (2,781,923)</b>	<b>\$ 1,905,386</b>

# CAYUGA-ONONDAGA BOCES

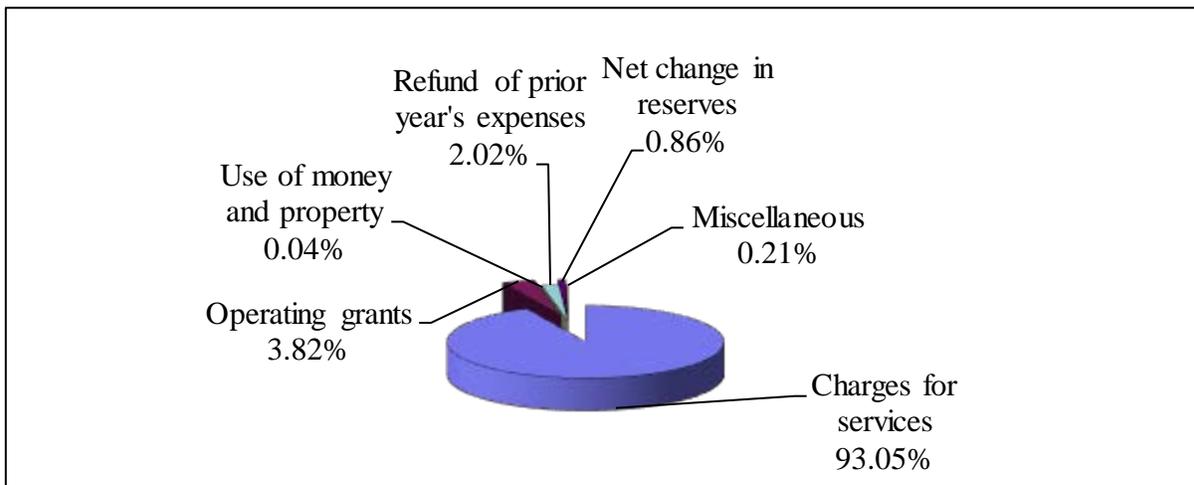
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total revenues for BOCES' Governmental Activities increased by 1.77%, while total expenses decreased by (2.76%).

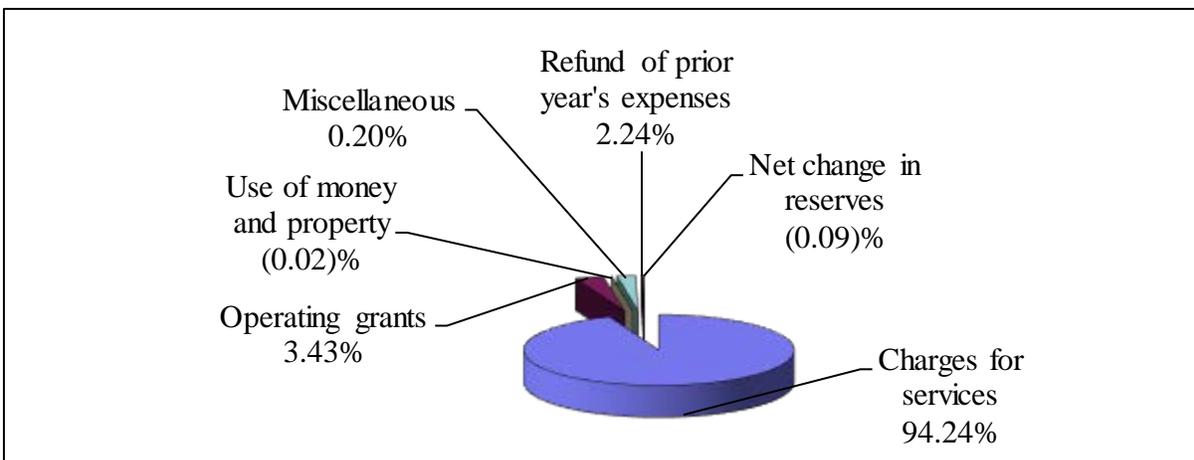
### Sources of Revenue

As illustrated below, the primary source of revenue for BOCES is charges for services, which provided 93.05% of total revenue in 2018. BOCES also obtains operating grants from federal, state, and local governments. These revenues, most of which are received to support particular programs, represented 3.82% of total revenue for the 2018 fiscal year.

*Figure 3  
Sources of Revenue for 2018*



*Figure 4  
Sources of Revenue for 2017*



# CAYUGA-ONONDAGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

### Program Expenses

The following chart indicates how expenses of \$42,616,155 have been spent by program category.

BOCES' largest program expenditure is for instruction for special education; 29.15% of total expenses. Special education programs are designed for students with disabilities whose instructional needs cannot be appropriately served by their local school districts. Program expenditures are not BOCES aidable but do generate public excess cost aid and possibly high cost aid for the applicable school districts.

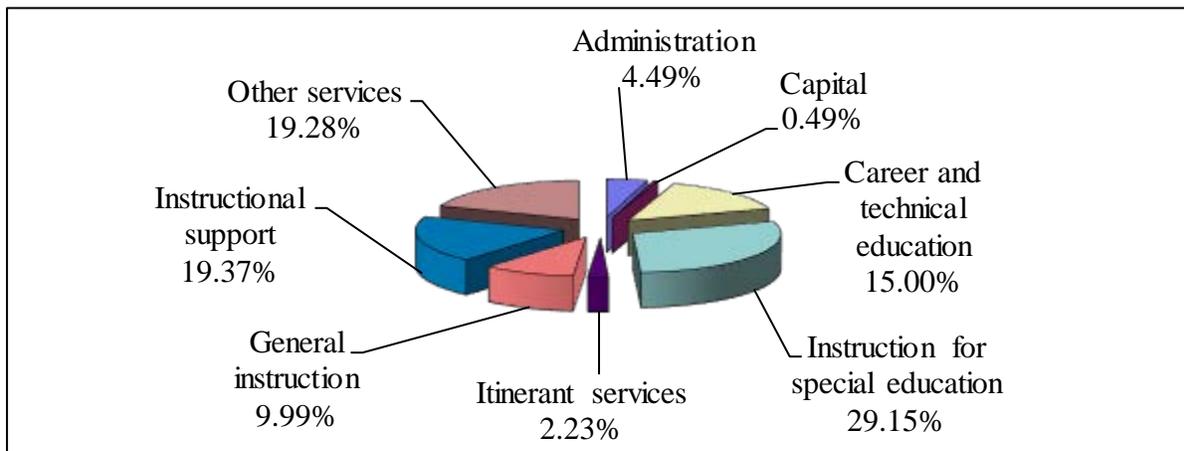
The second largest program expense for the fiscal year ended June 30, 2018 was for instructional support, which comprised 19.37% of expenses. Typically these programs provide school districts with professional and curriculum development services, library and media services, and instructional computer services.

Career and technical education expenses represented 15.00% of total expenses. These programs operate in cooperation with new graduation requirements, approved by the Board of Regents. Most courses are offered with "Technical Endorsement" on a student's Regents Diploma. Additionally, several courses are offered with National Certification or State Licensure. The career and technical education program expenditures are BOCES aidable.

Other substantial program costs were for other services, which comprised 19.28% of expenses. These programs provide school districts with planning services, administrative computer support, employee benefit coordination, health and safety risk services, labor relations and other various services.

The remaining expenses cover various services such as itinerant services, general instruction, and administration.

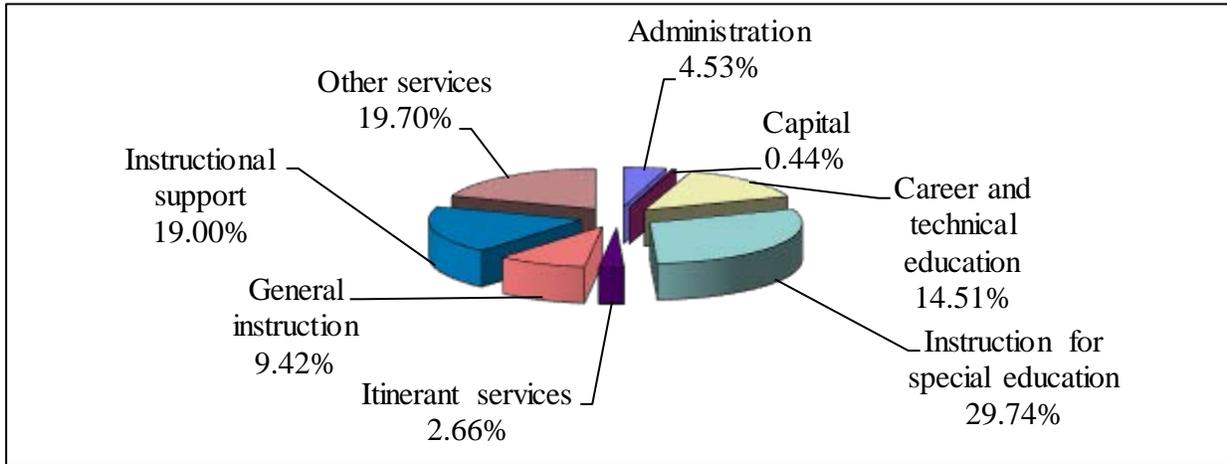
*Figure 5  
Cost of Programs for 2018*



# CAYUGA-ONONDAGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

*Figure 6  
Cost of Programs for 2017*



### FINANCIAL ANALYSIS OF BOCES' FUNDS

#### Governmental Funds

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

The General Fund is the chief operating fund of BOCES. As a BOCES, no unassigned fund balances can be retained in the General Fund.

Figure 7 shows the changes in fund balances for the year ended June 30, 2018. As BOCES completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$1,934,495, which is an increase of 23.09% from last year's total of \$1,571,585; reflecting an increase in BOCES' unemployment insurance reserve in the General Fund and an increase in the equipment reserve in the Capital Projects Fund.

*Figure 7*

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>General Fund</i>	\$ 1,277,651	\$ 1,620,481	\$ 342,830
<i>Capital Funds</i>	293,934	314,014	20,080
<b><i>Total Governmental Funds</i></b>	<b>\$ 1,571,585</b>	<b>\$ 1,934,495</b>	<b>\$ 362,910</b>

# CAYUGA-ONONDAGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

### GENERAL FUND BUDGETARY HIGHLIGHTS

By May 1 of each year, school districts are required to complete a final BOCES services request form for the forthcoming year. After that date, the BOCES permits school districts to add additional services to meet the school districts' needs. To ensure revenue and budgetary appropriations stay in balance, and to prevent overspending, BOCES adjusts budgets throughout the course of the year, by board action, as necessary.

BOCES also approves a large number of budgetary transfers annually. Transfers are permitted in any budget line within a program, but budget line transfers are not permitted from one program to another. It is anticipated that while BOCES will continue to control the number of budget transfers necessary to operate its programs, there will always be the need to transfer funds within instructional programs. Board policy requires any budget fund transfer in the amount of \$10,000 or more be approved by board action.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances, if applicable), and variances for the year ended June 30, 2018.

*Figure 8*

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Charges to components - Administration</i>	\$ 2,082,545	\$ 2,069,083	\$ 2,069,083	\$ -
<i>Charges to components - Services</i>	32,655,160	34,667,203	35,638,922	971,719
<i>Charges to other BOCES and non-components</i>	1,585,427	1,938,075	1,938,075	-
<i>Interest and earnings</i>	6,000	6,000	4,868	(1,132)
<i>Other revenues</i>	295,433	295,433	910,635	615,202
<i>Other financing sources</i>	126,292	126,292	9,617	(116,675)
<b>Total Revenues and Other Financing Sources</b>	<b>36,750,857</b>	<b>39,102,086</b>	<b>40,571,200</b>	<b>1,469,114</b>
<b>EXPENDITURES</b>				
<i>Administration and facility rental</i>	2,121,795	2,110,074	1,935,286	174,788
<i>Career and technical education</i>	6,377,416	6,052,493	5,593,137	459,356
<i>Instruction for special education</i>	10,558,341	10,421,739	10,412,452	9,287
<i>Itinerant services</i>	1,323,767	1,306,269	873,156	433,113
<i>General instruction</i>	3,493,197	3,826,535	3,477,086	349,449
<i>Instructional support</i>	6,168,854	8,461,534	7,799,055	662,479
<i>Other services</i>	6,707,487	6,923,442	6,502,950	420,492
<i>Other financing uses</i>	-	-	20,000	(20,000)
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 36,750,857</b>	<b>\$ 39,102,086</b>	<b>\$ 36,613,122</b>	<b>\$ 2,488,964</b>

# **CAYUGA-ONONDAGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

The most significant variance in revenue is in other types of revenue, such as e-rate reimbursements and refunds of prior year expenses. Often, the receipt and amount of these revenues fluctuates from year to year and is, therefore, difficult to predict with any level of certainty and accordingly are not incorporated into the budget.

Variances from the revised budget to actual expenditures are typical every year. Revised budgets are projected for the current year when developing the forthcoming year's budget. This process assumes all budgets will spend down to a zero balance, which seldom happens. As mentioned in our opening remarks, any fund balance remaining at year-end is returned to the participating districts. This refund is reported in other financing uses.

### **CAPITAL ASSETS**

At June 30, 2018, BOCES had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals, and depreciation) of \$(747,823).

*Figure 9*

<i>Changes in Capital Assets, Net</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>Land</i>	\$ 483,629	\$ 483,629	\$ -
<i>Buildings, net</i>	31,320,082	30,442,716	(877,366)
<i>Equipment, net</i>	1,111,126	1,240,669	129,543
<b><i>Total</i></b>	<b>\$ 32,914,837</b>	<b>\$ 32,167,014</b>	<b>\$ (747,823)</b>

Capital asset activity for the year ended June 30, 2017 included the following:

Building improvements	\$ 160,075
Equipment	415,609
Total additions	575,684
Less depreciation expense	(1,323,507)
<b>Net (Decrease) in Capital Assets, Net</b>	<b>\$ (747,823)</b>

# **CAYUGA-ONONDAGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **FACTORS BEARING ON BOCES' FUTURE**

Cayuga-Onondaga BOCES serves 9 component school districts with a total RWADA enrollment in 2017-18 of 12,806 students. BOCES provides shared programs and services to component school districts that they could not provide as efficiently or cost-effectively as individual districts.

New York State's fiscal situation, uncertainty about state aid to school districts, and the property tax cap continue to make budget development difficult for school districts. These factors may lead to increases in some BOCES services as school districts opt to share more services and to decreased use of other BOCES services as school districts are forced to reduce expenditures. BOCES must maintain high quality and cost effective programs and services to meet the needs of component school districts.

### **ENROLLMENT AND SPACE**

In terms of regional trend, the component districts have seen an overall decline in enrollment. Enrollment is measured in two (2) ways, actual enrollment K-12, and RWADA (Resident Weighted Average Daily Attendance) as defined by additional weighting for those students enrolled in programs in grades 7-12. A review of actual enrollment of the combined component districts show a decline from 11,892 as of 5/18/16 to 11,780 as of 4/28/17 and 11,698 as of 5/22/18; a drop of 194 students region wide.

From an RWADA perspective over the same period the components showed a decline from 13,256 in 2015-16 to 12,891 in 2016-17, a drop of 365 region wide. Currently, the projected RWADA count for 2017-18 is 12,806, a decline of 450 or 3.4% less than 2015-16. Management believes it should anticipate the current trend of declining enrollment will continue.

However, during the same period of time discussed above, student enrollment in BOCES Career Technical Education, Alternative Education and Special Education programs have remained stable or have increased. Management believes that it should anticipate stable BOCES program enrollment, or at least a decline at a lesser rate within the next five (5) years.

Given these factors, changes in staffing levels and increased needs for space and facilities will continue to put strain on the financial models used to budget for programs in future years.

### **CONTACTING BOCES' FINANCIAL MANAGEMENT**

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

Cayuga-Onondaga BOCES  
Attn: Douglas Tomandl  
Assistant Superintendent for Management, Regional Services and Finance  
1879 West Genesee Street Road  
Auburn, New York 13021

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF NET POSITION JUNE 30, 2018

### ASSETS

#### Current Assets

Cash and cash equivalents:

Unrestricted	\$ 4,807,945
Restricted	<u>680,031</u>

Receivables:

State and federal aid	<u>308,703</u>
Due from school districts	<u>1,140,712</u>
Other	<u>84,384</u>

#### Total Current Assets

7,021,775

#### Noncurrent Assets

Restricted cash 1,254,464

Capital assets, net:

Land and construction in progress	<u>483,629</u>
Depreciable capital assets, net	<u>31,683,385</u>

Net pension asset - Proportionate share 435,038

#### Total Noncurrent Assets

33,856,516

#### Total Assets

40,878,291

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - Pensions 7,778,848

Other postemployment benefits 617,263

#### Total Deferred Outflows of Resources

8,396,111

### LIABILITIES

#### Current Liabilities

Payables:

State aid due to school districts	<u>4,033,714</u>
Accounts payable	<u>293</u>
Accrued liabilities	<u>151,351</u>
Due to other governments	<u>169</u>

Overpayments and collections in advance 953,144

Due to Teachers' Retirement System 998,047

Due to Employees' Retirement System 205,026

#### Total Current Liabilities

6,341,744

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF NET POSITION JUNE 30, 2018

### LIABILITIES (continued)

#### Noncurrent Liabilities

Other postemployment benefit liabilities	\$ 41,616,872
Net pension liabilities - Proportionate share	<u>694,549</u>
<b>Total Noncurrent Liabilities</b>	<u>42,311,421</u>
<b>Total Liabilities</b>	<u>48,653,165</u>

#### DEFERRED INFLOWS OF RESOURCES

Deferred inflows - Pensions	<u>3,636,604</u>
Other postemployment benefits	<u>12,146,259</u>
<b>Total Deferred Inflows of Resources</b>	<u>15,782,863</u>

#### NET POSITION

Net investment in capital assets	<u>32,167,014</u>
Restricted	<u>1,934,495</u>
Unrestricted (deficit)	<u>(49,263,135)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ (15,161,626)</u></u>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants	Capital Grants	
Administration	\$ 2,119,967	\$ 1,910,501	\$	\$	\$ (209,466)
Career and technical education	6,394,199	5,575,830			(818,369)
Instruction for special education	12,421,671	10,906,122	184,637		(1,330,912)
Itinerant services	950,304	859,833			(90,471)
General instruction	4,256,753	3,437,166	432,694		(386,893)
Instructional support	8,256,838	7,613,690	255,808		(387,340)
Other services	8,216,423	6,762,194	648,931		(805,298)
<b>Total Functions and Programs</b>	<b>\$ 42,616,155</b>	<b>\$ 37,065,336</b>	<b>\$ 1,522,070</b>	<b>-</b>	<b>(4,028,749)</b>
<b>GENERAL REVENUES</b>					
					13,969
Use of money and property					803,369
Refund of prior years' expenses					342,830
Net change in reserves					86,658
Other unclassified revenue					1,246,826
<b>Total General Revenues</b>					<b>1,246,826</b>
Change in Net Position					(2,781,923)
Total Net Position (Deficit) - Beginning of Year, as restated					(12,379,703)
<b>Total Net Position (Deficit) - End of Year</b>					<b>\$ (15,161,626)</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund	
<b>ASSETS</b>				
Cash and cash equivalents - Unrestricted	\$ 4,256,122	\$ 551,823	\$ -	\$ 4,807,945
Cash and cash equivalents - Restricted	1,620,481	-	314,014	1,934,495
Receivables:				
Due from other funds	16,709	-	-	16,709
Due from state and federal	-	308,703	-	308,703
Due from school districts	1,140,712	-	-	1,140,712
Other	14,053	70,331	-	84,384
<b>Total Assets</b>	<b>\$ 7,048,077</b>	<b>\$ 930,857</b>	<b>\$ 314,014</b>	<b>\$ 8,292,948</b>
<b>LIABILITIES</b>				
Payables:				
State aid due to school districts	\$ 4,033,714	\$ -	\$ -	\$ 4,033,714
Accounts payable	293	-	-	293
Accrued liabilities	151,351	-	-	151,351
Due to other funds	-	16,709	-	16,709
Due to other governments	169	-	-	169
Overpayments and collections in advance	38,996	914,148	-	953,144
Due to Teachers' Retirement System	998,047	-	-	998,047
Due to Employees' Retirement System	205,026	-	-	205,026
<b>Total Liabilities</b>	<b>5,427,596</b>	<b>930,857</b>	<b>-</b>	<b>6,358,453</b>
<b>FUND BALANCES</b>				
Restricted	1,620,481	-	314,014	1,934,495
<b>Total Fund Balances</b>	<b>1,620,481</b>	<b>-</b>	<b>314,014</b>	<b>1,934,495</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,048,077</b>	<b>\$ 930,857</b>	<b>\$ 314,014</b>	<b>\$ 8,292,948</b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

**Fund Balances - Total Governmental Funds** **\$ 1,934,495**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 48,792,072	
Less accumulated depreciation	<u>(16,625,058)</u>	32,167,014

BOCES' proportionate share of the Employee Retirement Systems' collective net pension (asset) liability is not reported in the funds.

TRS net pension asset - Proportionate share	\$ 435,038	
ERS net pension liability - Proportionate share	<u>(694,549)</u>	(259,511)

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Other postemployment benefits deferred outflows of resources	\$ 617,263	
ERS deferred outflows of resources - Pension	2,012,803	
TRS deferred outflows of resources - Pension	5,766,045	
Other postemployment benefits deferred inflows of resources	(12,146,259)	
ERS deferred inflows of resources - Pension	(2,325,336)	
TRS deferred inflows of resources - Pension	<u>(1,311,268)</u>	(7,386,752)

Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.

(41,616,872)

**Net Position (Deficit) of Governmental Activities** **\$ (15,161,626)**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund	
<b>REVENUES</b>				
<b>Local sources</b>				
Charges to components - Administrative	\$ 1,858,743	\$	\$	\$ 1,858,743
Charges to components - Services	35,638,922	782,597		36,421,519
Charges to components - Capital	210,340			210,340
Charges to other BOCES and non-components	1,938,075			1,938,075
Interest and earnings	4,868		80	4,948
Miscellaneous:	98,245	770,346		868,591
Refund of prior year's expenses	803,369			803,369
Sales	9,021			9,021
State sources		739,799		739,799
Federal sources		595,075		595,075
<b>Total Revenues</b>	40,561,583	2,887,817	80	43,449,480
<b>EXPENDITURES</b>				
Administration	1,935,286			1,935,286
Career and technical education	5,593,137			5,593,137
Instruction for special education	10,412,452	770,129		11,182,581
Itinerant services	873,156			873,156
General instruction	3,477,086	425,783		3,902,869
Instructional support	7,799,055	253,962		8,053,017
Other services	6,502,950	1,428,326		7,931,276
<b>Total Expenditures</b>	36,593,122	2,878,200	-	39,471,322
Excess of Revenues Over Expenditures	3,968,461	9,617	80	3,978,158
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Operating transfers in	9,617		20,000	29,617
Operating transfers (out)	(20,000)	(9,617)		(29,617)
Refunds of surplus to districts	(3,958,078)			(3,958,078)
Net change in reserves	342,830			342,830
<b>Total Other Financing (Uses) Sources</b>	(3,625,631)	(9,617)	20,000	(3,615,248)
Net Change in Fund Balances	342,830	-	20,080	362,910
Fund Balances - Beginning of Year	1,277,651		293,934	1,571,585
<b>Fund Balances - End of Year</b>	\$ 1,620,481	\$ -	\$ 314,014	\$ 1,934,495

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

**Net Change in Fund Balances - Total Governmental Funds** **\$ 362,910**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset purchases	\$ 575,684	
Depreciation expense	<u>(1,323,507)</u>	(747,823)

Changes in the BOCES' proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows of resources and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (32,109)	
TRS	<u>(162,120)</u>	(194,229)

Long-term obligations are reported in the Statement of Net Position. Therefore, changes which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements.

Other postemployment benefit liabilities		<u>(2,202,781)</u>
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**Net Change in Net Position of Governmental Activities** **\$ (2,781,923)**

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents - Unrestricted	\$	\$ 561,975
Cash and cash equivalents - Restricted	32,459	18,822,856
Investments - Restricted		15,079,447
Accounts receivable		275
<b>Total Assets</b>	<b>32,459</b>	<b>\$ 34,464,553</b>
<b>LIABILITIES</b>		
Extraclassroom Activity funds		\$ 12,016
Article 5G funds		339,491
Healthcare Plan funds		33,902,303
Other liabilities		210,743
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 34,464,553</b>
<b>NET POSITION</b>		
<b>Restricted for scholarships</b>	<b>\$ 32,459</b>	

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# CAYUGA-ONONDAGA BOCES

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 3,400
Investment earnings	39
<b>Total Additions</b>	<u>3,439</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>5,630</u>
Change in Net Position	(2,191)
Net Position - Beginning of Year	<u>34,650</u>
<b>Net Position - End of Year</b>	<b>\$ <u><u>32,459</u></u></b>

*See Independent Auditor's Report and Notes to Basic Financial Statements*

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies**

The accompanying financial statements of Cayuga-Onondaga BOCES (BOCES) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **Reporting Entity**

BOCES is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying basic financial statements are those transactions which comprise operations, are governed by, or significantly influenced by the Board of Cooperative Educational Services.

Essentially, the primary function of Cayuga-Onondaga BOCES is to provide education for pupils. Services which are managerial and administrative in nature, along with plant operation and management, support the primary function.

Boards of Cooperative Educational Services (BOCES) were established by New York State Legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. Cayuga-Onondaga BOCES provides instructional and support programs and services to the following nine school districts in New York's Cayuga and Onondaga counties: Auburn, Cato-Meridian, Jordan-Elbridge, Moravia, Port Byron, Skaneateles, Southern Cayuga, Union Springs, and Weedsport.

BOCES programs and services include special education, career and technical education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), employee benefits coordination, work environment health and safety, educational communication, and central business office.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is BOCES;
- Organizations for which the primary government is financially accountable, and;

# ***CAYUGA-ONONDAGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Reporting Entity - Continued**

- 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 basic financial statements to be misleading or incomplete.

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

The decision to include a potential component unit in BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds of Cayuga-Onondaga BOCES and the Cayuga-Onondaga School Employees' Healthcare Plan are included in BOCES' reporting entity.

- Extraclassroom Activity Funds - The Extraclassroom Activity Funds of Cayuga-Onondaga BOCES represent funds of the students of BOCES. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of BOCES, due to BOCES' fiduciary responsibility, they are reported in BOCES' Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from Cayuga-Onondaga BOCES, 1879 West Genesee Street Road, Auburn, New York 13021.
- Cayuga-Onondaga School Employees' Healthcare Plan - The Cayuga-Onondaga School Employees' Healthcare Plan (the Plan) represents funds of the Plan, which is a group self-insured plan covering the eligible employees of the participating school districts. The BOCES Board of Education exercises general oversight of these funds. The Plan is independent of BOCES with respect to its financial transactions and the designation of management. While the Plan is not considered a component unit of BOCES, due to BOCES' fiduciary responsibility, it is reported in BOCES' Agency Fund. Separate audited financial statements of the Plan can be obtained from Cayuga-Onondaga BOCES, 1879 West Genesee Street Road, Auburn, New York 13021.

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Basis of Presentation - Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about 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 primarily through exchange transactions with component school districts and other BOCES, as well as non-exchange transactions in the form of federal and state grants. 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 BOCES Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the BOCES programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. 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.

#### **Governmental Fund Financial Statements**

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

BOCES reports the following Major Governmental Funds:

- General Fund - BOCES primary operating fund; accounts for all financial transactions not required to be accounted for in another fund.
- Special Aid Fund - Accounts for the proceeds of specific revenue sources, such as Federal, State and local 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.
- Capital Projects Fund - Accounts for financial resources used for the purchase of equipment and the renovation and construction of BOCES capital assets.

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Basis of Presentation - Governmental Fund Financial Statements - Continued**

BOCES reports the following Fiduciary Funds:

- Private-Purpose Trust Fund - Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the Government-wide financial statements because their resources do not belong to BOCES and are not available to be used.
- Agency Fund - Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by BOCES as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

#### **Measurement Focus and Basis of Accounting**

The Government-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. Non-exchange transactions, in which BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund 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. BOCES considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months 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 the Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### *Note 1* Summary of Significant Accounting Policies - Continued

#### **Cash and Investments**

BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs BOCES' investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts. Investments are stated at fair value.

#### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. All receivables are expected to be collected within the subsequent fiscal year.

#### **Due To/From Other Funds**

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

BOCES depreciates its capital assets using the straight-line method. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), and estimated useful lives of capital assets reported in the statements, are as follows:

	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
Buildings	\$ 5,000	40 years
Improvements	5,000	40 years
Furniture and equipment	5,000	3 - 7 years

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Vested Employee Benefits - Compensated Absences**

Compensated absences consist of unpaid accumulated annual vacation time.

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the Government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

#### **Postemployment 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, BOCES provides health insurance coverage for retired employees. Substantially all of BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for 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 is shared between BOCES and the retired employee. BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

BOCES follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." BOCES' liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 9 for additional information.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. BOCES reports deferred outflows of resources related to pensions and OPEB plans in the Government-wide Statement of Net Position. The types of deferred outflows of resources related to pensions, and OPEB plans are described in Note 8 and 9, respectively.

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Deferred Outflows and Inflows of Resources - Continued**

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element 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. BOCES reports deferred inflows of resources related to pensions and OPEB plans which are further described in Note 8 and 9, respectively.

#### **Unearned and Unavailable Revenues**

Unearned revenues arise when resources are received by BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when BOCES has legal claim to the resources, revenues are recorded.

The Governmental Fund financial statements also report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, revenues are recorded.

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is BOCES policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

#### **Equity Classifications - Government-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of net resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other net resources that do not meet the definition of “restricted” or “net investment in capital assets.”

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - Governmental Fund Financial Statements**

BOCES reports fund balance in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which requires the classification of fund balance reflect spending constraints on resources, rather than availability for appropriation.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable** - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of BOCES' legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Board of Education of BOCES has not adopted any resolutions to commit fund balance. BOCES' policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and then unassigned fund balance.

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Legally Adopted Reserves**

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to BOCES within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by BOCES include the following:

- Unemployment Insurance Reserve (GML §6-m) - This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

#### **Interfund Transfers**

The operations of BOCES give rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

#### **Use of Estimates**

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

#### **New Accounting Standards**

BOCES has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **New Accounting Standards - Continued**

- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ended June 30, 2018.

#### **Future Changes in Accounting Standards**

- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2019. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2021.

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

### ***Note 2* Cash and Cash Equivalents - Custodial and Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, BOCES’ deposits may not be returned to it. While BOCES does not have a specific policy for custodial credit risk, New York State statutes govern BOCES’ investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in BOCES’ name.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 2 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued**  
BOCES aggregate bank balances of \$42,923,183 are either insured or collateralized with securities held by the pledging financial institution in BOCES name.

BOCES has investments (primarily Health Consortium cash held in trust) and chooses to disclose its investments by specifically identifying each.

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:

- 1) Insured or registered, or investments held by BOCES or by BOCES' agent in BOCES' name, or
- 2) Uninsured and unregistered, with investments held by the financial institution's trust department in BOCES' name, or
- 3) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not BOCES' name.

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.

BOCES does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

	Cost	Carrying Amount Fair Value	Type of Investment	Category
Private Purpose Trust Fund	\$ <u>15,079,447</u>	\$ <u>15,079,447</u>	Certificate of Deposit	(1)

Restricted cash and investments at June 30, 2018 consisted of the following:

General Fund reserves	\$ 1,620,481
Capital projects	314,014
Private Purpose Trust Fund	32,459
Agency Fund	<u>33,902,303</u>
<b>Total</b>	<b>\$ <u>35,869,257</u></b>

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 3 Other Receivables**

Other receivables consist primarily of billed non-contract services and amount to \$14,053 in the General Fund and \$70,331 in the Special Aid Fund.

**Note 4 Interfund Balances and Activity**

Interfund balances at June 30, 2018, are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Revenues</b>	<b>Interfund Expenditures</b>
General Fund	\$ 16,709	\$	\$ 9,617	\$ 20,000
Special Aid Fund		16,709		9,617
Capital Fund			20,000	
<b>Total</b>	<b>\$ 16,709</b>	<b>\$ 16,709</b>	<b>\$ 29,617</b>	<b>\$ 29,617</b>

Interfund receivables and payables are eliminated on the Statement of Net Position.

BOCES transfers funds from the General Fund to the Capital Projects Fund, as needed, to fund capital projects. BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

**Note 5 Capital Assets**

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets that are not depreciated:				
Land	\$ 483,629	\$	\$	\$ 483,629
<b>Total Nondepreciable Historical Cost</b>	<b>483,629</b>	<b>-</b>	<b>-</b>	<b>483,629</b>
Capital assets that are depreciated:				
Buildings	41,497,633	160,075		41,657,708
Furniture and equipment	6,235,126	415,609		6,650,735
<b>Total Depreciable Historical Cost</b>	<b>47,732,759</b>	<b>575,684</b>	<b>-</b>	<b>48,308,443</b>
<b>Total Historical Cost</b>	<b>48,216,388</b>	<b>575,684</b>	<b>-</b>	<b>48,792,072</b>
Less accumulated depreciation:				
Buildings	(10,177,551)	(1,037,441)		(11,214,992)
Furniture and equipment	(5,124,000)	(286,066)		(5,410,066)
<b>Total Accumulated Depreciation</b>	<b>(15,301,551)</b>	<b>(1,323,507)</b>	<b>-</b>	<b>(16,625,058)</b>
<b>Total Historical Cost, Net</b>	<b>\$ 32,914,837</b>	<b>\$ (747,823)</b>	<b>\$ -</b>	<b>\$ 32,167,014</b>

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 5 Capital Assets - Continued**

Depreciation expense was charged to governmental functions as follows:

Administration	\$	130,117
Occupational instruction		518,854
Instruction for the handicapped		343,522
Itinerant services		5,942
General instruction		35,187
Instructional support		134,873
Other services		<u>155,012</u>
<b>Total</b>	<b>\$</b>	<b><u>1,323,507</u></b>

**Note 6 Short-term Debt**

BOCES may issue revenue anticipation notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. BOCES did not issue or redeem any RANs during the year ended June 30, 2018.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 7 Operating Leases**

BOCES leases classroom space under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2018 were as follows:

Description/Address	Term of Lease	Rental Expense
<b>Real Property Leases</b>		
County of Cayuga	08/01/17-06/30/18	\$ 17,340
Cayuga Community College	07/01/17-06/30/18	5,500
YMCA of Auburn	07/01/17-06/30/18	30,000
Auburn Enlarged City School District	08/01/17-07/31/18	38,500
Auburn Enlarged City School District	08/01/17-07/31/18	3,000
Auburn Enlarged City School District	09/01/17-07/31/18	6,500
Auburn Enlarged City School District	07/01/17-09/30/17	12,000
Cato-Meridian Central School District	09/01/16-07/31/18	6,500
Moravia Central School District	09/01/17-07/31/18	14,000
Moravia Central School District	09/01/17-07/31/18	6,500
Port Byron Central School District	09/01/17-07/31/18	14,000
Port Byron Central School District	09/01/17-07/31/18	6,500
Skaneateles Central School District	09/01/17-07/31/18	10,500
Skaneateles Central School District	09/01/17-07/31/18	6,500
Southern Cayuga Central School District	09/01/17-07/31/18	6,500
Union Springs Central School District	09/01/17-07/31/18	6,500
Union Springs Central School District	09/01/17-07/31/18	7,000
Weedsport Central School District	09/01/17-07/31/18	6,500
Jordan-Elbridge CSD	09/01/17-07/31/18	6,500
<b>Total</b>		<b>\$ 210,340</b>

The maximum future non-cancelable operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2019	\$ <u><u>12,125</u></u>

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

#### **Plan Descriptions and Benefits Provided**

##### **Teachers' Retirement System (TRS)**

BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **Plan Descriptions and Benefits Provided - Continued**

##### **Employees' Retirement System (ERS)**

BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer, defined benefit pension plan. The System 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. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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. BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

##### **Summary of Significant Accounting Policies**

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Contributions**

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

		<b>ERS</b>		<b>TRS</b>
2017	\$	774,539	\$	1,063,048
2016		762,503		1,165,798
2015		841,988		1,448,969

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

At June 30, 2018, 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. BOCES' proportionate share of the net pension (asset) liability was based on a projection of BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to BOCES by the ERS and TRS Systems.

		<b>ERS</b>		<b>TRS</b>
Actuarial valuation date		04/01/2017		06/30/2016
Net pension (asset) liability	\$	3,227,444,946	\$	(760,099,284)
BOCES' proportionate share of the				
Plan's total net pension (asset) liability		694,549		(435,038)
BOCES' share of the				
net pension (asset) liability		0.0215201%		0.057234%

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

For the year ended June 30, 2018, BOCES recognized pension expense of \$815,100 for ERS and \$1,083,257 for TRS in the government-wide financial statements. At June 30, 2018 BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 247,723	\$ 357,929	\$ 204,709	\$ 169,616
Changes of assumptions	460,544	4,426,592		
Net differences between projected and actual earnings on pension plan investments	1,008,778		1,991,226	1,024,639
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	90,732	60,385	129,401	117,013
BOCES' contributions subsequent to the measurement date	205,026	921,139		
<b>Total</b>	<b>\$ 2,012,803</b>	<b>\$ 5,766,045</b>	<b>\$ 2,325,336</b>	<b>\$ 1,311,268</b>

BOCES contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2019	\$ 124,107	\$ 90,193
2020	107,352	1,160,661
2021	(513,417)	827,608
2022	(235,601)	197,575
2023		825,169
Thereafter		432,432

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **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.

Significant actuarial assumptions used in the valuations were as follows:

	<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 of return	7.0%	7.25%
Salary increases	3.8%	1.90%-4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement date	ERS March 31, 2018	TRS June 30, 2017
Asset Type:		
Domestic equities	4.55%	5.9%
International equities	6.35%	7.4%
Real estate	5.55%	4.3%
Private equity/Alternative investments	7.50%	9.0%
Absolute return strategies	3.75%	
Opportunistic portfolio	5.68%	
Real assets	5.29%	
Cash	(0.25%)	
Inflation-indexed bonds	1.25%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.31%	2.8%
Short-term		0.6%

**Discount Rate**

The discount rate used to calculate the total pension (asset) liability was 7.0% 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 contributions from employers will be made at statutorily required rates, actuarially. Based on 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 (asset) liability.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Sensitivity of the Proportionate Share of the Net Pension (Asset) Liability to the Discount Rate Assumption**

The following presents BOCES' proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what BOCES' proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
BOCES' proportionate share of the net pension (asset) liability	\$ 5,255,147	\$ 694,549	\$ (3,163,534)

<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
BOCES' proportionate share of the net pension (asset) liability	\$ 7,494,410	\$ (435,038)	\$ (7,075,556)

**Pension Plan Fiduciary Net Position**

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

	<b>Dollars in Thousands</b>	
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset) liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
<b>Employers' Net Pension (Asset) Liability</b>	<b>\$ 3,227,445</b>	<b>\$ (760,099)</b>
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	(100.7%)

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Employee contributions are submitted monthly. 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 estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$205,026.

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 employee and employer retirement contributions as of June 30, 2018 amounted to \$998,047.

**Summary**

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
<b>ERS</b>			
Net pension (asset) liability	\$ 1,899,224	\$ (1,204,675)	\$ 694,549
Deferred outflows of resources	(1,312,179)	(700,624)	(2,012,803)
Deferred inflows of resources	387,928	1,937,408	2,325,336
Subtotal	974,973	32,109	1,007,082
<b>TRS</b>			
Net pension (asset) liability	611,664	(1,046,702)	(435,038)
Deferred outflows of resources	(5,992,639)	226,594	(5,766,045)
Deferred inflows of resources	329,040	982,228	1,311,268
Subtotal	(5,051,935)	162,120	(4,889,815)
<b>Total</b>	<b>\$ (4,076,962)</b>	<b>\$ 194,229</b>	<b>\$ (3,882,733)</b>

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 9 Postemployment Benefits Other than Pensions (OPEB)**

During the year ended June 30, 2018, BOCES implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

**General Information about the OPEB Plan**

Plan Description - BOCES' defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by 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 GASB Statement No. 75. The Plan does not issue separate financial statements since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - BOCES provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at 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	82
Active employees	343
	<hr/>
	425
	<hr/> <hr/>

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### *Note 9* Postemployment Benefits Other than Pensions (OPEB) - Continued

#### **Total OPEB Liability**

BOCES' total OPEB liability of \$41,616,872 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2017.

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:

Long-Term Bond Rate:	3.6%
Single Discount Rate	3.6%
Salary Scale	3.0%
Rate of Inflation	2.2%
Marital Assumption	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	2.5% for 2019, increasing to an ultimate rate of 4.0% for 2078 and later years

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

Election percentage: It was assumed 100% of future retirees eligible for coverage will elect retiree group benefits. It was assumed participants who are currently enrolled in coverage will remain in their current plan in retirement. It was assumed 70% of members not currently enrolled in coverage will elect coverage in the Traditional plan (Major Medical Rx). It was assumed 30% of members not currently enrolled in coverage will elect coverage in the Modified Traditional Plan.

Spousal Coverage: It was assumed 80% of future retirees will elect spousal coverage upon retirement.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued**

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018\_c (the Getzen model).

The actuarial assumptions used in the June 30, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2017</b>	\$ <u>51,432,359</u>
<b>Changes for the year:</b>	
Service Cost	2,961,434
Interest Cost	1,543,251
Differences between expected and actual experience	(7,074,603)
Changes in assumptions or other inputs	(6,756,297)
Benefit payments	(489,272)
	<u>(9,815,487)</u>
<b>Balance at June 30, 2018</b>	\$ <u><u>41,616,872</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% percent in 2016 to 3.60% in 2017.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of BOCES, as well as what BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	<b>1% Decrease (2.60%)</b>	<b>Discount Rate (3.60%)</b>	<b>1% Increase (4.60%)</b>
Total OPEB liability	\$ 50,133,087	\$ 41,616,872	\$ 34,906,190

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability \$	33,829,064	\$ 41,616,872	\$ 51,893,151

For the year ended June 30, 2018, BOCES recognized OPEB expense of \$2,820,044.

At June 30, 2018, BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 6,212,897
Changes in assumptions or other inputs		5,933,362
Contributions subsequent to measurement date	617,263	
<b>Total</b>	<b>\$ 617,263</b>	<b>\$ 12,146,259</b>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (1,684,641)
2020	(1,684,641)
2021	(1,684,641)
2022	(1,684,641)
2023 and Thereafter	(5,407,695)

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued**

#### **Summary**

Changes in the OPEB liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2018 follows:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
Other postemployment benefits liability \$	51,432,359	\$ (9,815,487)	\$ 41,616,872
Deferred outflows of resources	(489,272)	(127,991)	(617,263)
Deferred inflows of resources		12,146,259	12,146,259
<b>Total</b>	<b>\$ 50,943,087</b>	<b>\$ 2,202,781</b>	<b>\$ 53,145,868</b>

### **Note 10 Commitments and Contingencies**

#### **Risk Financing and Related Insurance**

##### **General Information**

BOCES is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. 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.

##### **Health Insurance**

BOCES participates in the Cayuga-Onondaga School Employees' Healthcare Plan, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 10 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$200,000 per insured event. The pool obtains independent coverage for insured events in excess of that limit. BOCES has essentially transferred all related risk to the pool.

During the year ended June 30, 2018, BOCES incurred premiums or contribution expenditures totaling \$2,784,236.

Financial statements for the Plan can be obtained by contacting the BOCES Business Office, 1879 West Genesee Street Road, Auburn, New York 13021.

# CAYUGA-ONONDAGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 10 Commitments and Contingencies - Continued**

**Other Items**

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

**Note 11 Restricted Fund Balance**

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2018 of the restricted reserves were as follows:

<u>Restricted Fund Balances</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
General Fund:					
Unemployment insurance reserve	\$ 1,277,651	\$ 365,293	\$ 2,445	\$ (24,908)	\$ 1,620,481
Capital Projects Fund:					
Equipment reserve	<u>293,934</u>	<u>20,000</u>	<u>80</u>	<u>          </u>	<u>314,014</u>
<b>Total</b>	<b><u>\$ 1,571,585</u></b>	<b><u>\$ 385,293</u></b>	<b><u>\$ 2,525</u></b>	<b><u>\$ (24,908)</u></b>	<b><u>\$ 1,934,495</u></b>

**Note 12 Restatement**

BOCES' June 30, 2017 net position has been restated to reflect the following:

<b>Net Position (Deficit) Beginning of Year</b>	\$ 21,124,797
Beginning OPEB plan liability	(33,993,772)
Beginning OPEB plan deferred outflows of resources	<u>489,272</u>
<b>Net Position (Deficit) Beginning of Year, as Restated</b>	<b><u>\$ (12,379,703)</u></b>

# CAYUGA-ONONDAGA BOCES

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Charges to components - Administrative, capital, and facility rental	\$ 2,082,545	\$ 2,069,083
Charges to components - Services	<u>32,655,160</u>	<u>34,667,203</u>
Charges to other BOCES	<u>1,585,427</u>	<u>1,938,075</u>
Interest and earnings	<u>6,000</u>	<u>6,000</u>
Miscellaneous	<u>210,433</u>	<u>210,433</u>
Refund of prior years expenses	<u>                    </u>	<u>                    </u>
Sales	<u>                    </u>	<u>                    </u>
<b>Total Local Sources</b>	<u>36,539,565</u>	<u>38,890,794</u>
Federal sources	<u>85,000</u>	<u>85,000</u>
<b>Total Revenues</b>	<u>36,624,565</u>	<u>38,975,794</u>
<b>EXPENDITURES</b>		
Administration and facility rental	<u>2,121,795</u>	<u>2,110,074</u>
Career and technical education	<u>6,377,416</u>	<u>6,052,493</u>
Instruction for special education	<u>10,558,341</u>	<u>10,421,739</u>
Itinerant services	<u>1,323,767</u>	<u>1,306,269</u>
General instruction	<u>3,493,197</u>	<u>3,826,535</u>
Instructional support	<u>6,168,854</u>	<u>8,461,534</u>
Other services	<u>6,707,487</u>	<u>6,923,442</u>
<b>Total Expenditures</b>	<u>36,750,857</u>	<u>39,102,086</u>
Excess of (Expenditures) over Revenues	<u>(126,292)</u>	<u>(126,292)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	<u>126,292</u>	<u>126,292</u>
Operating transfers out	<u>                    </u>	<u>                    </u>
Refunds of surplus to districts	<u>                    </u>	<u>                    </u>
Net change in reserves	<u>                    </u>	<u>                    </u>
<b>Total Other Financing Sources (Uses)</b>	<u>126,292</u>	<u>126,292</u>
Excess of Expenditures and Other Financing (Uses) over Revenues and Other Financing Sources	<u>                    -</u>	<u>                    -</u>
<b>Net Change in Fund Balance</b>	<u>\$                    -</u>	<u>\$                    -</u>

*See Independent Auditor's Report and Notes to Required Supplementary Information*

<u>Actual</u>	<u>Encumbrances</u>	<u>Favorable (Unfavorable)</u>
\$ 2,069,083		\$ -
35,638,922		971,719
1,938,075		-
4,868		(1,132)
98,245		(112,188)
803,369		803,369
9,021		9,021
40,561,583		1,670,789
		(85,000)
40,561,583		1,585,789
1,935,286		174,788
5,593,137		459,356
10,412,452		9,287
873,156		433,113
3,477,086		349,449
7,799,055		662,479
6,502,950		420,492
36,593,122	-	2,508,964
3,968,461	-	4,094,753
9,617		(116,675)
(20,000)		(20,000)
(3,958,078)		(3,958,078)
342,830		342,830
(3,625,631)	-	(3,751,923)
342,830	\$ -	\$ <b>342,830</b>
<b>\$ 342,830</b>		

# CAYUGA-ONONDAGA BOCES

## SCHEDULE OF CHANGES IN BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS ENDED JUNE 30,

	2018	2017	2016
<b>Total OPEB Liability</b>			
Service Cost	\$ 2,961,434	*	*
Interest Cost	1,543,251	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	(7,074,603)	*	*
Changes in assumptions or other inputs benefit payments	(6,756,297)	*	*
Benefit payments	(489,272)	*	*
Net changes	(9,815,487)	*	*
<b>Total OPEB Liability - Beginning</b>	51,432,359	*	*
<b>Total OPEB Liability - Ending</b>	\$ 41,616,872	\$ 51,432,359	\$ *
<b>Covered employee payroll</b>	\$ 15,922,203	*	*
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	261%	*	*

\*Information is unavailable and will be present as information becomes available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*



# **CAYUGA-ONONDAGA BOCES**

## **SCHEDULE OF BOCES' CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Contractually required contribution	\$ <b>774,539</b>	\$ 762,503	\$ 841,988
Contributions in relation to the contractually required contribution	<b>(774,539)</b>	(762,503)	(841,988)
Contribution deficiency (excess)	-	-	-
BOCES' covered - employee payroll	<b>5,268,010</b>	5,040,290	4,699,813
Contributions as a percentage of covered - employee payroll	<b>14.7%</b>	15.1%	17.9%

## **SCHEDULE OF BOCES' CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Contractually required contribution	\$ <b>921,138</b>	\$ 1,063,048	\$ 1,165,798
Contributions in relation to the contractually required contribution	<b>(921,138)</b>	(1,063,048)	(1,165,798)
Contribution deficiency (excess)	-	-	-
BOCES' covered - employee payroll	<b>9,399,367</b>	9,070,375	8,791,840
Contributions as a percentage of covered - employee payroll	<b>9.8%</b>	11.7%	13.3%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 796,273	\$ 883,948	\$ 750,244	\$ 610,037	\$ 473,098	\$ 296,020	\$ 319,477
(796,273)	(883,948)	(750,244)	(610,037)	(473,098)	(296,020)	(319,477)
-	-	-	-	-	-	-
4,402,761	4,214,680	3,992,696	3,939,098	4,094,826	3,988,730	3,682,347
18.1%	21.0%	18.8%	15.5%	11.6%	7.4%	8.7%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,448,969	\$ 1,381,742	\$ 967,396	\$ 924,470	\$ 725,437	\$ 648,678	\$ 677,904
(1,448,969)	(1,381,742)	(967,396)	(924,470)	(725,437)	(648,678)	(677,904)
-	-	-	-	-	-	-
8,265,653	8,503,028	8,170,574	8,321,062	8,415,742	10,479,451	8,884,718
17.5%	16.2%	11.8%	11.1%	8.6%	6.2%	7.6%

# CAYUGA-ONONDAGA BOCES

## SCHEDULE OF BOCES' PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension (asset) liability	<b>0.0215201%</b>	0.0202126%	0.0192230%	0.0183825%
BOCES' proportionate share of the net pension (asset) liability	\$ <b>694,549</b>	\$ 1,899,224	\$ 3,085,229	\$ 621,005
BOCES' covered-employee payroll during the measurement period	<b>5,108,246</b>	5,017,637	4,593,872	4,339,057
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>13.6%</b>	37.9%	67.2%	14.3%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>98.2%</b>	94.7%	90.7%	97.9%

## SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension (asset) liability	<b>0.057234%</b>	0.057109%	0.055026%	0.057564%
BOCES' proportionate share of the net pension (asset) liability	\$ <b>(435,038)</b>	\$ 611,664	\$ (5,715,448)	\$ (6,412,218)
BOCES' covered-employee payroll during the measurement period	<b>9,070,375</b>	8,791,840	8,265,653	8,503,028
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>(4.80)%</b>	6.96%	(69.15)%	(75.41)%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>(100.7)%</b>	99.0%	(110.5)%	(111.4)%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

# CAYUGA-ONONDAGA BOCES

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

### *Note 1* **Budgetary Procedures and Budgetary Accounting**

BOCES' administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

<b>Original Adopted Budget</b>	<b>\$ 36,750,857</b>
Board Authorized Increases:	
Charges to component school districts and other BOCES	<u>2,351,229</u>
<b>Final Budget</b>	<b><u>\$ 38,991,029</u></b>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. No encumbrances were carried forward from the prior year.

Annual legal budgets are not adopted for the Special Aid Fund or the Capital Projects Fund. Budgetary controls for the Special Aid Fund are established in accordance with applicable grant agreements. Budgetary controls for the Capital Projects Fund are developed internally.

### *Note 2* **Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Funds excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2018.

### *Note 3* **Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios**

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.6%
2017 - 4.0%

# CAYUGA-ONONDAGA BOCES

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

**Note 4 Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability**  
The Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

**Note 5 Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability**

### NYSLRS

#### Changes in Benefit Terms

There were no significant legislative changes in benefits.

#### Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

#### Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation report.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

# **CAYUGA-ONONDAGA BOCES**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

### **Note 5 Schedules of BOCES Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability - Continued**

#### **NYSTRS**

##### **Changes in Benefit Terms**

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. Tier 6 benefit changes were first included in the 2012 actuarial valuation.

##### **Changes of Assumptions**

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated, future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

# CAYUGA-ONONDAGA BOCES

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

**Note 5 Schedules of BOCES Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability - Continued**

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of BOCES' contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of BOCES' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.	
Asset valuation method	Five-year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.	
Inflation	2.5%	
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.	
	<u>Service</u>	<u>Rate</u>
	5	4.72%
	15	3.46%
	25	2.37%
	35	1.90%
Investment rate of return	7.25% compounded annually, net of investment expenses, including inflation.	
Projected cost of living adjustments	1.5% compounded annually	

# CAYUGA-ONONDAGA BOCES

## ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS FOR THE YEAR ENDED JUNE 30, 2018

July 1, - (Credit) Balance	\$ <u>(270,806)</u>
Debits:	
Billings to school districts	<u>39,646,080</u>
Refund of balances due school districts	<u>2,504,114</u>
Other Adjustments:	
2016-2017 E-Rate refunds in advance	<u>546,797</u>
Total Debits	<u>42,696,991</u>
Credits:	
Collection from school districts	<u>(37,327,396)</u>
Adjustment - Credits to school districts - Revenues in excess of expenditures	<u>(3,958,078)</u>
Total Credits	<u>(41,285,474)</u>
<b>June 30, - Debit Balance</b>	<b>\$ <u><u>1,140,712</u></u></b>

*See Independent Auditor's Report*

# CAYUGA-ONONDAGA BOCES

## SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES COMPARED TO BUDGET FOR THE YEAR ENDED JUNE 30, 2018

	REVENUES			
	Original Budget	Final Budget	Current Year's Revenues	Over (Under) Final Budget
Administration 001	\$ 1,897,993	\$ 1,897,993	\$ 1,883,528	\$ (14,465)
Capital 002	223,802	210,340	210,340	-
Career and Technical Education 100-199	6,377,416	6,262,395	6,345,404	83,009
Instruction for Special Education 200-299	10,558,341	10,945,058	11,224,622	279,564
Itinerant Services 300-399	1,323,767	1,034,171	1,021,903	(12,268)
General Instruction 400-499	3,493,197	3,694,525	3,750,576	56,051
Instructional Support 500-599	6,168,854	8,217,500	8,594,144	376,644
Other Services 600-699	6,707,487	6,840,104	7,540,683	700,579
<b>Totals</b>	<b>\$ 36,750,857</b>	<b>\$ 39,102,086</b>	<b>\$ 40,571,200</b>	<b>\$ 1,469,114</b>

### Revenues in Excess of Expenditures

*See Independent Auditor's Report*

**EXPENDITURES**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year's Expenditures</u>	<u>Unencumbered Balances</u>
\$ 1,897,993	\$ 1,886,272	\$ 1,724,946	\$ 161,326
<u>223,802</u>	<u>223,802</u>	<u>210,340</u>	<u>13,462</u>
<u>6,377,416</u>	<u>6,052,493</u>	<u>5,613,137</u>	<u>439,356</u>
<u>10,558,341</u>	<u>10,421,739</u>	<u>10,412,452</u>	<u>9,287</u>
<u>1,323,767</u>	<u>1,306,269</u>	<u>873,156</u>	<u>433,113</u>
<u>3,493,197</u>	<u>3,826,535</u>	<u>3,477,086</u>	<u>349,449</u>
<u>6,168,854</u>	<u>8,461,534</u>	<u>7,799,055</u>	<u>662,479</u>
<u>6,707,487</u>	<u>6,923,442</u>	<u>6,502,950</u>	<u>420,492</u>
<u>\$ 36,750,857</u>	<u>\$ 39,102,086</u>	<u>36,613,122</u>	<u>\$ 2,488,964</u>
		<u>\$ 3,958,078</u>	

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

Board of Education  
Cayuga-Onondaga BOCES  
Auburn, 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 Cayuga-Onondaga BOCES (BOCES), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise BOCES’ basic financial statements, and have issued our report thereon dated September 25, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 25, 2018