



**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

AND

**BASIC FINANCIAL
STATEMENTS**

**For the Year Ended
June 30, 2017**

**OTSEGO NORTHERN CATSKILLS BOCES
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Independent Auditor's Report

Board of Cooperative Educational Services
Otsego Northern Catskills BOCES, 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 the Otsego Northern Catskills BOCES, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, and other Required Supplementary Information as listed in the Table of Contents and shown on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otsego Northern Catskills BOCES' basic financial statements. The other supplementary information on pages 49 through 51 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the Otsego Northern Catskills BOCES internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Otsego Northern Catskills BOCES internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

Rome, New York

September 12, 2017

D'Arcangelo & Co., LLP
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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 Cooperative Educational Services
Sole Supervisory District Otsego Northern Catskills, New York

We have audited, in accordance with the auditing standards generally accepted in the United State 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 Otsego Northern Catskills BOCES, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Otsego Northern Catskills BOCES' basic financial statements, and have issued our report thereon dated September 12, 2017.

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 the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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.

D'Arcangelo & Co., LLP

September 12, 2017

Rome, New York

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

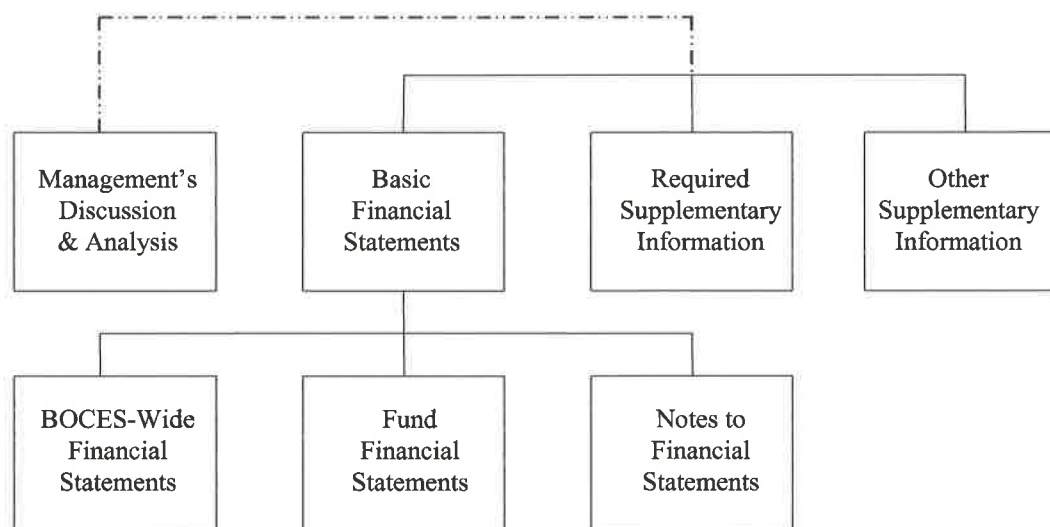
The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2017. This section is a summary of the BOCES' financial activities based on currently known facts, decisions and conditions. It is also based on both the BOCES-wide and fund-based financial statements. This section should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The BOCES' total net position, as reflected in the BOCES-wide financial statements, decreased by \$1,136,882. The primary factor contributing to this decrease was an increase in technology related expenses, payments to other BOCES, and employee benefits including OPEB costs.
- During the year, the BOCES had expenditures in excess of program revenues of \$3,188,571, partially due to a decrease of \$558,139 in operating grants during 2017 as well as recognizing additional OPEB costs of \$1,276,685.
- Program revenues included \$26,552,314 in Charges for Services and \$595,396 in Operating Grants and Contributions, which together comprise approximately 93% of total revenues.
- BOCES total General Fund revenue for 2017 was \$29,441,373. Approximately 96% of these revenues are from the billings for administration and other services to the component districts and non-component districts of the BOCES.
- The BOCES is required to return surplus billings in the subsequent year. During 2017-2018, the surplus of \$2,451,708 from 2016-2017 will be returned. During 2016-2017, the surplus of \$2,312,133 from the prior year was returned.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: MD&A (this section), the financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of BOCES-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:



**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

(Continued)

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

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

BOCES-Wide Statements

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

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

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

In the BOCES-wide financial statements, the BOCES' activities are shown as Governmental activities. All of the BOCES' basic services are included here, such as regular and special education, instructional support, and administration. Charges for Services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant or "major" funds – not the BOCES as a whole. Funds are accounting devices the BOCES use to keep track of specific sources of funding and spending on particular programs:

- Certain funds are required by State law and by bond covenants.
- The BOCES establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The BOCES has two types of funds:

- **Governmental Funds:** All of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that allows the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information can be found on pages 16 and 18, which reconciles the BOCES-wide financial statements to the fund financial statements

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

(Continued)

- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

A. Net Position

The BOCES total net position decreased by \$1,136,882 between fiscal year 2017 and 2016. A summary of the BOCES Statement of Net Position at June 30, 2017 and 2016, is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 15,712,775	\$ 20,683,835	\$ (4,971,060)	(24.0%)
Capital Assets, (Net of Accumulated Depreciation)	<u>17,078,689</u>	<u>15,519,787</u>	<u>1,558,902</u>	10.0%
Total Assets	<u>32,791,464</u>	<u>36,203,622</u>	<u>(3,412,158)</u>	(9.4%)
Deferred Outflows of Resources				
Deferred Outflow - Pensions	<u>5,117,784</u>	<u>2,598,825</u>	<u>2,518,959</u>	96.9%
Total Assets and Deferred Outflows	<u>\$ 37,909,248</u>	<u>\$ 38,802,447</u>	<u>\$ (893,199)</u>	(2.3%)
Non-Current Liabilities	\$ 17,244,287	\$ 15,246,491	\$ 1,997,796	13.1%
Other Liabilities	<u>13,141,713</u>	<u>13,499,720</u>	<u>(358,007)</u>	(2.7%)
Total Liabilities	<u>30,386,000</u>	<u>28,746,211</u>	<u>1,639,789</u>	5.7%
Deferred Inflows of Resources				
Deferred Inflow - Pensions	<u>411,430</u>	<u>1,807,536</u>	<u>(1,396,106)</u>	(77.2%)
Net Position				
Net Investment in Capital Assets	17,428,741	15,803,976	1,624,765	10.3%
Restricted	3,918,943	3,505,915	413,028	11.8%
Unrestricted (Deficit)	<u>(14,235,866)</u>	<u>(11,061,191)</u>	<u>(3,174,675)</u>	(28.7%)
Total Net Position	<u>7,111,818</u>	<u>8,248,700</u>	<u>(1,136,882)</u>	(13.8%)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 37,909,248</u>	<u>\$ 38,802,447</u>	<u>\$ (893,199)</u>	(2.3%)

Current and other assets decreased by \$4,971,060 as compared to the prior year. The decrease is primarily due to a decrease in the net pension asset of \$4,384,828.

Capital assets increased by \$1,558,902, as compared to the prior year. This increase is primarily due to the cost of current year fixed asset additions exceeding depreciation expense.

Non-current liabilities increased by \$1,997,796, as compared to the prior year. This increase is primarily the result of an increase in the OPEB liability of \$1,276,685.

Other liabilities decreased by \$358,007 as compared to the prior year. The decrease is primarily the result of a decrease in the State aid amounts due to component districts as well as a decrease in the amounts due to the NYS Teacher Retirement System.

See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

(Continued)

Changes in deferred outflows and inflows of resources correlate primarily with the information reported to the BOCES by the retirement systems.

The net position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support BOCES operations.

The unrestricted net position at June 30, 2017, is a deficit of \$14,235,866, which represents the amount by which the BOCES assets other than capital assets were less than the BOCES liabilities, excluding debt related to capital construction and capital assets and restricted assets. This is primarily due to the accrual of \$14,898,550 in other postemployment benefit liabilities.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 26,552,314	\$ 26,390,187	\$ 162,127	0.6%
Operating Grants	595,396	1,153,535	(558,139)	(48.4%)
General Revenues				
Interest and Earnings	10,111	3,489	6,622	189.8%
Refund of Prior Year's Expenditures	777,803	657,814	119,989	18.2%
Miscellaneous	1,293,557	1,082,671	210,886	19.5%
Sales of Property and Compensation for Loss	(29,782)	(16,148)	(13,634)	(84.4%)
Total Revenues	<u>29,199,399</u>	<u>29,271,548</u>	<u>(72,149)</u>	(0.2%)
Expenses				
Administration	2,952,385	2,975,277	(22,892)	(0.8%)
Administration- Capital	275,413	22,410	253,003	1129.0%
Occupational Instruction	6,130,545	5,474,251	656,294	12.0%
Instruction for Special Needs	5,112,033	4,596,363	515,670	11.2%
Intinerant Services	2,577,186	2,802,128	(224,942)	(8.0%)
General Instruction	4,040,571	3,696,110	344,461	9.3%
Instructional Support	3,031,124	2,706,741	324,383	12.0%
Other Services	6,217,024	5,714,155	502,869	8.8%
Total Expenses	<u>30,336,281</u>	<u>27,987,435</u>	<u>2,348,846</u>	8.4%
Total Change in Net Position	<u>\$ (1,136,882)</u>	<u>\$ 1,284,113</u>	<u>\$ (2,420,995)</u>	(188.5%)

The BOCES' revenues decreased by \$72,149 in 2017, primarily due to a decrease in operating grants revenues during the current year. This decrease was partially offset by increases in charges for services and miscellaneous revenues.

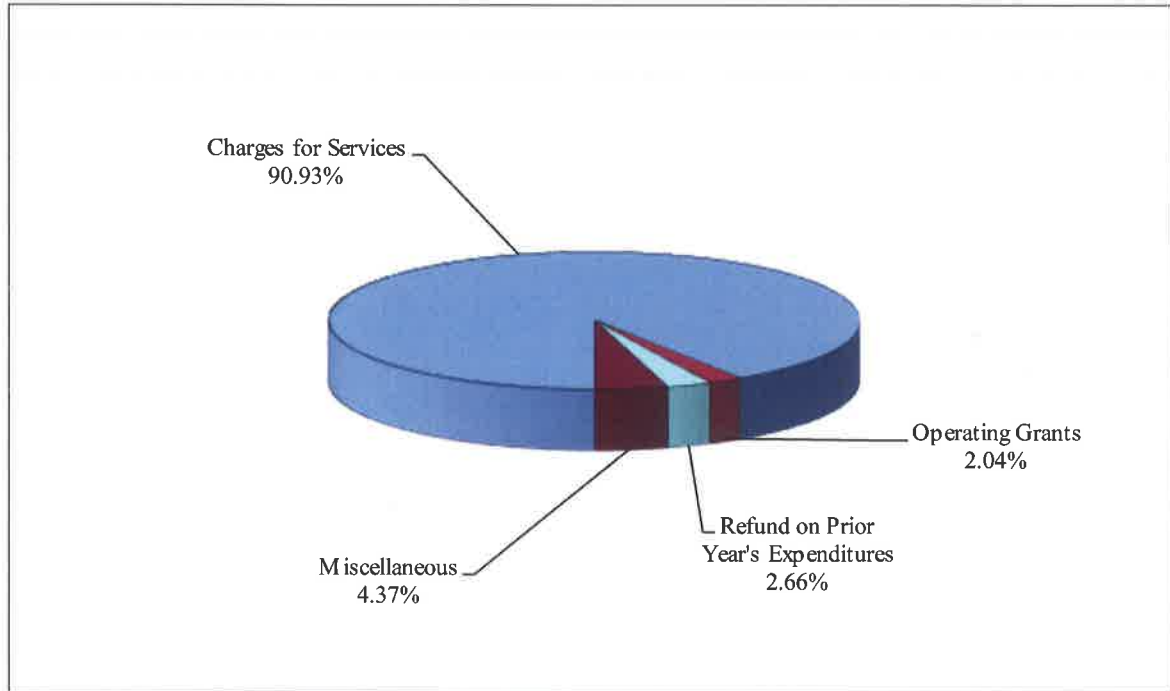
The BOCES' expenses for the year increased by \$2,348,846. This increase is primarily in occupational education, instruction for special needs, and other services expenses relating to increased requests for services, salaries and benefits, and distance learning.

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

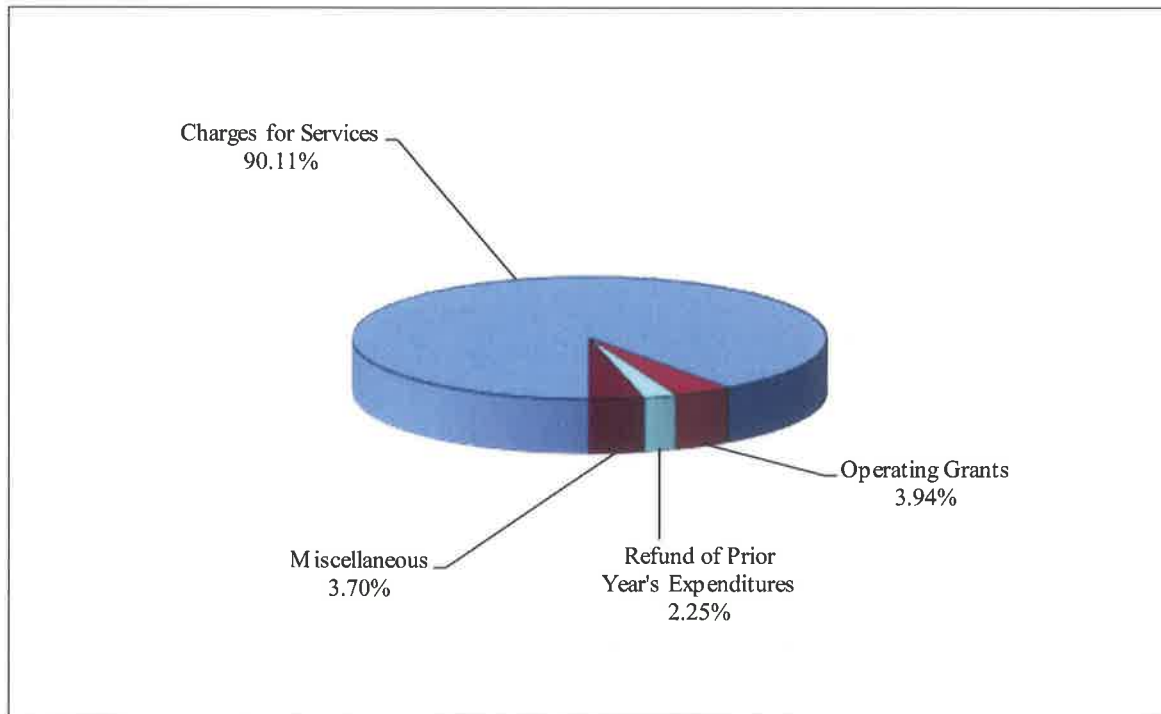
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A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2017



For the Year Ended June 30, 2016



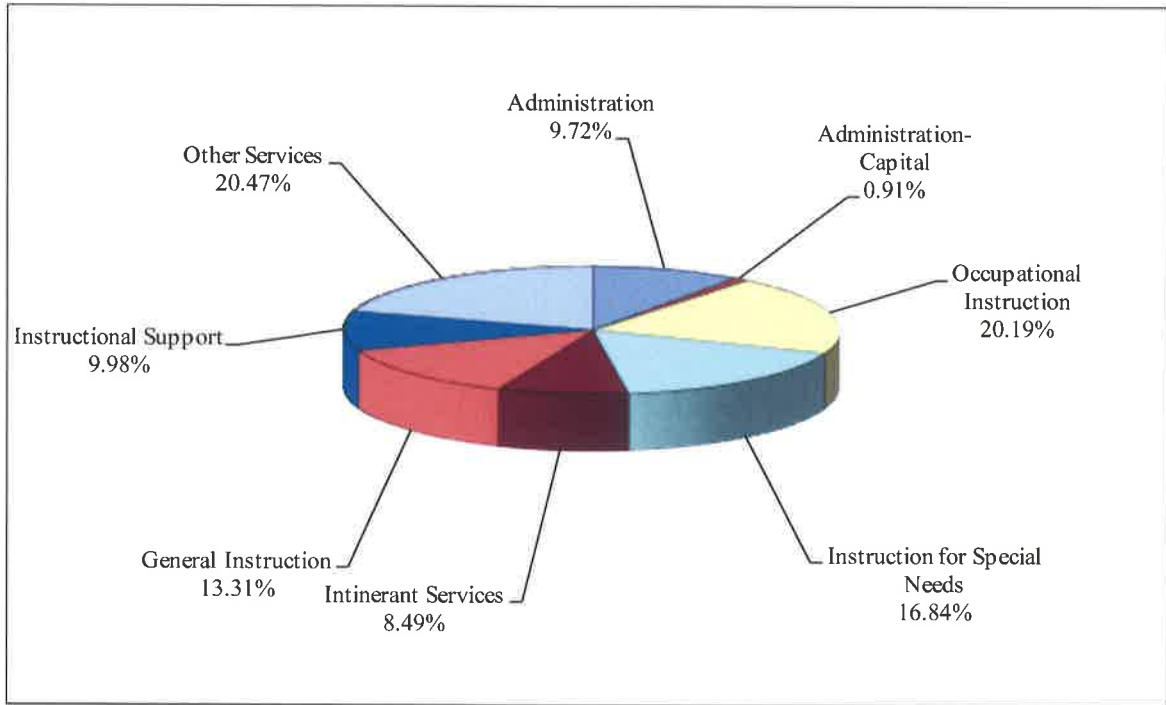
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**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

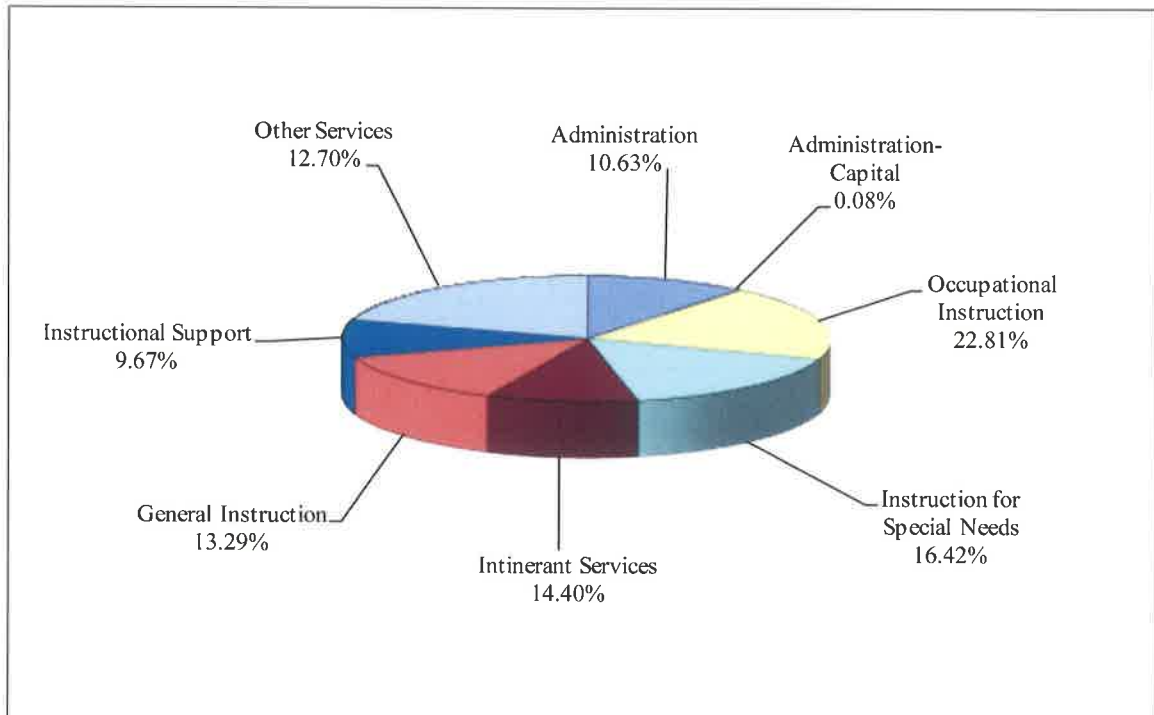
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A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2017



For the Year Ended June 30, 2016



See Independent Auditor's Report

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

(Continued)

4. FINANCIAL ANALYSIS OF THE BOCES' FUND BALANCES

At June 30, 2017, the BOCES governmental funds reported combined fund balance of \$4,054,650 which is a decrease of \$548,697 from the prior year. A summary of the change in fund balance by fund is as follows:

General Fund	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Restricted:			
Unemployment Insurance Reserve	\$ 113,499	\$ 174,156	\$ (60,657)
Employee Benefit Accrued Liability Reserve	1,323,232	1,222,688	100,544
Liability Reserve	13,374	450,721	(437,347)
Career Educational Instructional Equipment Reserve	284,429	175,969	108,460
Retirement Contribution Reserve	811,852	796,254	15,598
Total	<u>2,546,386</u>	<u>2,819,788</u>	<u>(273,402)</u>
Assigned	<u>135,707</u>	<u>1,097,432</u>	<u>(961,725)</u>
Total	<u>2,682,093</u>	<u>3,917,220</u>	<u>(1,235,127)</u>
 Capital Projects Fund			
Restricted	<u>1,372,557</u>	<u>686,127</u>	<u>686,430</u>
Total Fund Balance	<u>\$ 4,054,650</u>	<u>\$ 4,603,347</u>	<u>\$ (548,697)</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

- The difference between the original approved budget plus encumbrances of \$27,164,951 and the amended budget of \$30,200,032 is \$3,035,081, or 11.2%. The increase is due to encumbrances rolled over from the prior year and the request for additional services from component school districts during the year. The budgetary comparison information can be found on Page 45 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2017.
- Actual expenditures were under the amended budget by \$1,975,240 (before encumbrances of \$135,707), and actual revenues were under the amended budget by \$758,659, or 2.5%.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017 and 2016, the BOCES had \$17,078,689 and \$15,519,787, respectively, invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. A summary of the BOCES capital assets, net of accumulated depreciation at June 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 47,509	\$ 47,509	\$
Construction in Process	370,105	975,073	(604,968)
Buildings and Improvements	12,985,894	11,239,369	1,746,525
Furniture and Equipment	3,675,181	3,257,836	417,345
Capital Assets, Net	<u>\$ 17,078,689</u>	<u>\$ 15,519,787</u>	<u>\$ 1,558,902</u>

The BOCES' Capital Assets, Net of Accumulated Depreciation is, for the purpose of this report, the assets owned and purchased by the BOCES less the accumulated depreciated value over the useful life of the item.

Depreciation expense for the BOCES totaled \$1,135,301 and \$1,015,680 for June 30, 2017 and 2016, respectively.

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

(Continued)

B. Long-Term Debt

At June 30 2017, the BOCES had total long-term debt of \$17,244,287. A summary of the long-term debt at June 30, 2017 and 2016, is as followed:

	2017	2016	Increase (Decrease)
Installment Purchase Agreements	\$ 197,195	\$ 401,938	\$ (204,743)
Energy Performance Contract	825,310		825,310
Compensated Absences	1,323,232	1,222,688	100,544
OPEB Liability	14,898,550	13,621,865	1,276,685
Total Long Term Debt	<u>\$ 17,244,287</u>	<u>\$ 15,246,491</u>	<u>\$ 1,997,796</u>

7. FACTORS BEARING ON THE BOCES FUTURE

ONC BOCES is dedicated to both the leadership and support of our component schools. As our 19 component school enrollment continues to decline on a collective basis, we worry about the effect of the loss of some of our student base. The school communities are also still very limited in the amount of revenue that can be obtained through the broken state funding system and under a tax cap formula. We believe that by continuing to focus on our mission and offering high quality, reasonably priced shared services, the BOCES will continue to be a strong organization.

In order to combat the issue outlined, the BOCES has worked very diligently to reduce the CTE tuition rate for a number of years in a row. This allows for our schools to continue sending similar numbers of students each year. We are also focused on updating our CTE programs to offer the skill sets that are being requested by our local employers. To that end, the BOCES is planning for the offering of a new mechatronics/robotics program in the near future. As an organization, we have always focused on serving some of the most challenging types of students in both our Special Education and Alternative Education settings, with the hope that we can be the right placement option for our schools to turn to as a great educational solution, with the right supports in place for their students to succeed. These efforts have led to increased enrollment for the BOCES over the past two years and therefore a stronger support system to our component schools.

The BOCES also offers a number of very robust management style services, which have been of great assistance to our schools. In the last year, the Shared Business Office was asked to provide many new districts some back office functions in the areas of school finance, accounting, and reporting. Our Human Resource Offices are called upon to help with recruitment of staff to our region, including qualified teachers, administrators, therapists, and substitutes. The BOCES also offers a regional certification office, that has been called upon to help staff in the region gain the required certifications. The CASEBP Plan has had the most significant accomplishments of the year. This office has undergone significant changes in TPAs and staffing arrangements in order to provide no increase to premiums for the upcoming school year, creating great budget relief to the schools that participate with the plan.

The BOCES has completed a very lengthy and involved capital project to remove PCB and to control vermiculite materials in our centers. This is to ensure the space is safe, and we provide a healthy environment for our staff and students. This spring we also concluded a long overdue complete renovation of the main Parking Lot at our NCOC location. The administration is now looking forward to planning a project for the upcoming year to include a generator at the OAOC location, to power the building, including the server room that houses technology that is critical to operations throughout the region. By continuously planning and completing capital renovations, the BOCES can avoid the need for emergency projects and therefore keep this part of the budget stable for our component schools.

Lastly, the BOCES has been continuously focused on long range planning, the use of data in decision making, and communication of those goals all through the use of technology. The Board of Education also is committed to ensuring members of the community understand what BOCES has to offer for both adult and school age students as they pursue their career goals.

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

(Continued)

8. CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' citizens, taxpayers, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Otsego-Northern Catskill BOCES, 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF NET POSITION
June 30, 2017

Assets

Cash and Cash Equivalents	\$ 7,436,301
Restricted Cash and Cash Equivalents	3,382,168
Receivables	
State and Federal Aid	3,749,152
Due from Fiduciary Funds	168,863
Due from Components	572,194
Accounts Receivable	2,539
Prepaid Expenditures	401,558
Capital Assets, Net of Accumulated Depreciation	<u>17,078,689</u>
Total Assets	<u>32,791,464</u>

Deferred Outflows of Resources

Deferred Outflow - Pensions	<u>5,117,784</u>
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Total Assets and Deferred Outflows

\$ 37,909,248

Liabilities

Due to Components - Refund of Surplus	\$ 2,451,708
Due to Components - State Aid	3,492,933
Due to	
Teachers' Retirement System	806,444
Employees' Retirement System	109,059
Accounts Payable	1,379,022
Accrued Liabilities	319,015
Deferred Credits	
Overpayments and Collections in Advance	2,784,996
Unearned Revenues	314,948
Net Pension Liability - Proportionate Share	1,483,588
Noncurrent Liabilities	
Due Within One Year	208,607
Due in More Than One Year	<u>17,035,680</u>
Total Liabilities	<u>30,386,000</u>

Deferred Inflows of Resources

Deferred Inflow - Pensions	<u>411,430</u>
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Total Liabilities and Deferred Inflows

30,797,430

Net Position

Net Investment in Capital Assets	17,428,741
Restricted	3,918,943
Unrestricted (Deficit)	<u>(14,235,866)</u>
Total Net Position	<u>7,111,818</u>

Total Liabilities, Deferred Inflows, and Net Position

\$ 37,909,248

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Administration	\$ 2,952,385	\$ 2,582,296	\$	\$ (370,089)
Administration - Capital	275,413	492,946		217,533
Occupational Instruction	6,130,545	5,637,154		(493,391)
Instruction for Special Needs	5,112,033	4,845,272		(266,761)
Itinerant Services	2,577,186	2,183,530		(393,656)
General Instruction	4,040,571	2,623,556	595,396	(821,619)
Instruction Support	3,031,124	2,567,340		(463,784)
Other Services	6,217,024	5,620,220		(596,804)
Total Functions/Programs	<u>\$ 30,336,281</u>	<u>\$ 26,552,314</u>	<u>\$ 595,396</u>	<u>(3,188,571)</u>
General Revenues				
Interest and Earnings				10,111
Loss on Sales of Property				(29,782)
Refund of Prior Year's Expenditures				777,803
Miscellaneous				<u>1,293,557</u>
Total General Revenues				<u>2,051,689</u>
Change in Net Position				(1,136,882)
Net Position, Beginning of Year				<u>8,248,700</u>
Net Position, End of Year				<u>\$ 7,111,818</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Aid	Capital	Total
Assets				
Cash and Cash Equivalents	\$ 7,196,635	\$ 239,666	\$	\$ 7,436,301
Restricted Cash and Cash Equivalents	2,546,386		835,782	3,382,168
Receivables				
State and Federal Aid	3,492,933	256,219		3,749,152
Due from Components	572,194			572,194
Due from Other Funds			580,000	580,000
Accounts Receivable	2,539			2,539
Prepaid Expenditures	401,558			401,558
Total Assets	<u>\$ 14,212,245</u>	<u>\$ 495,885</u>	<u>\$ 1,415,782</u>	<u>\$ 16,123,912</u>
Liabilities				
Due to Components - Refund of Surplus	\$ 2,451,708	\$	\$	\$ 2,451,708
Due to Components - State Aid	3,492,933			3,492,933
Due To				
Other Funds	234,542	176,595		411,137
Teachers' Retirement System	806,444			806,444
Employees' Retirement System	109,059			109,059
Accounts Payable	1,319,658	16,139	43,225	1,379,022
Accrued Liabilities	318,429	586		319,015
Overpayments and Collections in Advance	2,784,996			2,784,996
Unearned Revenue	12,383	302,565		314,948
Total Liabilities	<u>11,530,152</u>	<u>495,885</u>	<u>43,225</u>	<u>12,069,262</u>
Fund Balances				
Restricted	2,546,386		1,372,557	3,918,943
Assigned	135,707			135,707
Total Fund Balances	<u>2,682,093</u>	<u></u>	<u>1,372,557</u>	<u>4,054,650</u>
Total Liabilities and Fund Balances	<u>\$ 14,212,245</u>	<u>\$ 495,885</u>	<u>\$ 1,415,782</u>	<u>\$ 16,123,912</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE BOCES-WIDE NET POSITION
June 30, 2017

Total Governmental Fund Balances	\$ 4,054,650
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Amounts reported for governmental activities in the Statement of Net Position differ as follows:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the BOCES as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	30,293,575
Accumulated Depreciation	<u>(13,214,886)</u>
	17,078,689

The BOCES' proportion of the collective net pension asset is reported as an asset on the Statement of Net Position, but is not reported on the fund statements, as the amount is not available for use in the current period. The difference between the BOCES' contributions and its proportionate share of the net pension asset is recorded on the BOCES-wide Statement of Net Position as a deferred outflow.

Deferred Outflows- Pensions	<u>5,117,784</u>
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Installment Purchase Agreements	(197,195)
Energy Performance Contract	(825,310)
Other Post Employment Liabilities	(14,898,550)
Compensated Absences Payable	<u>(1,323,232)</u>
	(17,244,287)

The BOCES' proportion of the collective net pension liability is reported as a liability on the Statement of Net Position, but is not reported on the fund statements as the amount is not payable in the current period. The difference between the BOCES' contributions and its proportionate share of the net pension liability is recorded on the Statement of Net Position as a deferred inflow. Pension accruals made subsequent to the measurement date are not expensed in the Statement of Activities, and are therefore not reported on the Statement of Net Position.

Net Pension Liability- Proportionate Share	(1,483,588)
Deferred Inflows- Pensions	<u>(411,430)</u>
	(1,895,018)

Total Net Position	<u>\$ 7,111,818</u>
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OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Special Aid	Capital	Total
Revenues				
Charges for Services	\$	\$ 765,131	\$	\$ 765,131
Charges to Components - Administration	3,075,541			3,075,541
Charges to Components - Service Programs	23,501,400			23,501,400
Charges to Non-Components and Other BOCES	1,661,950			1,661,950
Interest and Earnings	7,231		2,880	10,111
Miscellaneous	417,448		876,109	1,293,557
Refund of Prior Year's Expenditures	777,803			777,803
Interfund Revenues			460,241	460,241
State and Local Sources		236,879		236,879
Federal Sources		358,517		358,517
Total Revenues	<u>29,441,373</u>	<u>1,360,527</u>	<u>1,339,230</u>	<u>32,141,130</u>
Expenditures				
Administration	2,840,761			2,840,761
Administration - Capital	493,245			493,245
Occupational Instruction	5,968,146			5,968,146
Instruction for Special Needs	5,046,914			5,046,914
Itinerant Services	2,490,003			2,490,003
General Instruction	2,583,971	1,357,760		3,941,731
Instructional Support	2,819,362			2,819,362
Other Services	5,982,390		1,109,086	7,091,476
General Support		2,767		2,767
Capital Outlay			395,770	395,770
Total Expenditures	<u>28,224,792</u>	<u>1,360,527</u>	<u>1,504,856</u>	<u>31,090,175</u>
Excess (Deficit) Revenues Over (Under) Expenditures	<u>1,216,581</u>		<u>(165,626)</u>	<u>1,050,955</u>
Other Financing Sources (Uses)				
Return of Surplus	(2,451,708)			(2,451,708)
Proceeds on Energy Performance Contract			852,056	852,056
Total Other Financing Sources (Uses)	<u>(2,451,708)</u>		<u>852,056</u>	<u>(1,599,652)</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>(1,235,127)</u>		<u>686,430</u>	<u>(548,697)</u>
Fund Balances, Beginning of Year	<u>3,917,220</u>		<u>686,127</u>	<u>4,603,347</u>
Fund Balances, End of Year	<u>\$ 2,682,093</u>	<u>\$</u>	<u>\$ 1,372,557</u>	<u>\$ 4,054,650</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net Changes in Fund Balances - Total Governmental Funds \$ (548,697)

Capital Related Differences

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation in the period, net of related losses on disposal of capital assets.

Depreciation Expense	(1,135,301)	
Loss on Disposal	(29,782)	
Capital Outlays	<u>2,723,985</u>	1,558,902

Long-Term Liability Transaction Differences

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Installment Purchase Agreements	204,743	
Additional Accrual of Other Post Employment Liabilities	(1,276,685)	
Change in Energy Performance Contract	(825,310)	
Change in Compensated Absences	<u>(100,544)</u>	(1,997,796)

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

Teachers' Retirement System	10,930	
Employees' Retirement System	<u>(160,221)</u>	(149,291)

Change in Net Position Governmental Activities \$ (1,136,882)

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Private Purpose Trusts	Agency
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 226,327
Cash and Cash Equivalents - Restricted	<u>7,038</u>	
Total Assets	<u>\$ 7,038</u>	<u>\$ 226,327</u>
Liabilities		
Accrued Liabilities	\$	\$ 4,390
Accounts Payable		1,498
Due to Other Funds		168,863
Extraclassroom Activity Balances		<u>51,576</u>
Total Liabilities		<u>\$ 226,327</u>
Net Position		
Restricted for Scholarships	<u>7,038</u>	
Total Net Position	<u>7,038</u>	
Total Liabilities and Net Position	<u>\$ 7,038</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2017

	Private Purpose Trusts
Additions	
Interest Income	\$ 1
Gifts and Contributions	<u>4,370</u>
Total Additions	<u>4,371</u>
Deductions	
Scholarships and Awards	<u>3,870</u>
Change in Net Position	501
Net Position, Beginning of Year	<u>6,537</u>
Net Position, End of Year	<u><u>\$ 7,038</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Otsego Northern Catskills BOCES (BOCES) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) that apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the BOCES are described below:

Financial Reporting Entity

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

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

The accompanying basic financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the BOCES' reporting entity.

(a) *Extraclassroom Activity Funds*

The Extraclassroom Activity Funds of BOCES represent funds of the students of BOCES. These funds are included in the combined basic financial statements in the Fiduciary Funds as agency funds because the Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the BOCES' office.

Joint Ventures

(a) *BOCES Program*

There are nineteen participating schools in the Otsego Northern Catskills BOCES. The BOCES is a joint venture in which the participating Districts have an ongoing financial responsibility, no equity interest, and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating Districts' governing boards. The BOCES charges Districts for program costs based on participation and for administrative costs. During the year ended June 30, 2017, the BOCES billed its component Districts and non-components \$28,238,891 for administrative and program costs.

(b) *Insurance Consortium*

The BOCES is the sponsoring agency for the Otsego Northern Catskills BOCES Health Benefit, Dental and Workers Compensation Plans Consortiums. The Consortiums are municipal corporations operating in the Otsego Northern Catskill area to provide cooperative programs for health benefits, dental benefits and workers' compensation benefits, respectively, to municipal employees by entering into intermunicipal agreements pursuant to Article 5-G of the General Municipal Law.

Separate audited financial statements of the Otsego Northern Catskills BOCES Health Consortium and the Otsego Northern Catskills Workers' Compensation Plan can be found at the BOCES' business office at 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Basis of Presentation

(a) BOCES-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through charges to components, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary grants.

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

(b) Fund Financial Statements

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

General Fund: This is the BOCES' primary operating fund. This fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

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

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

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within 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 governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Postretirement health insurance costs are recognized as an expenditure when funded. The unfunded portion has not been actuarially determined and is not recorded as a long-term liability.

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.

Budgetary Procedures and Budgetary Accounting

The BOCES' administration submits a tentative budget to the Board of Cooperative Educational Services for the fiscal year commencing the following July 1. The BOCES' administrative budget must be approved by a majority of the boards of each component BOCES in May. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

Appropriations established by adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the fiscal year end.

The Board of Cooperative Educational Services must approve all modifications of the budget. However, the BOCES Superintendent is authorized to transfer certain budgeted amounts within departments.

Cash and Cash Equivalents

The 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. The BOCES' cash and investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Receivables

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

Insurance

BOCES insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Interfund Transactions and Transfers

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 9 to the financial statements.

Capital Assets

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

The BOCES uses capitalization thresholds of \$1,000 (the dollar value above which asset acquisitions are added to the capital assets accounts for grouped-like assets or individual assets).

Depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Lives</u>	<u>Depreciation Method</u>
Buildings and Improvements	20-40 Years	Straight Line
Furniture and Equipment	8-20 Years	Straight Line

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has one item that qualifies for reporting in this category. This item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions not included in pension expense.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Vested Employee Benefits

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

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

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

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Other Benefits

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

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if BOCES employees are eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the BOCES and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 5).

Accrued Liabilities and Long-Term Obligations

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

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

Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the 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 both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

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Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has one item that qualifies for reporting in this category. This item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense.

Equity Classifications

(a) BOCES-wide Statements

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

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

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

(b) Fund Statements

The BOCES follows GASB's authoritative guidance under GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Restricted Fund Balances

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the BOCES' policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The BOCES has established the following restricted fund balances:

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

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- **Retirement Contribution Reserve** – According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.
- **Reserve for Employee Benefits Accrued Liability** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- **Reserve for Liability** – This reserve is used to pay for liability claims incurred. The total amount accumulated in the reserve may not exceed 3% of the total annual budget. The reserve is accounted for in the General Fund.
- **Reserve for Career Educational Instructional Equipment** – This reserve is available only to BOCES for the replacement and purchase of advanced technology equipment used in instructional programs conducted by the BOCES. It may be established upon approval of the BOCES and of the school boards of a majority of the BOCES participating in the instructional programs of the BOCES. This reserve is accounted for in the General Fund.
- **Reserve for Endowments and Scholarships** – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.
- **Capital Project Fund** – This reserve is used to account for and report the financial resources that are restricted for acquisition, construction, or major repair of capital facilities. This reserve is accounted for in the Capital Fund.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the BOCES considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the BOCES has provided otherwise in its commitment or assignment actions.

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

Assigned - Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the Capital Fund are classified as Assigned Fund Balance in the respective fund.

Unassigned - Includes all other net positions that do not meet the definition of the above classifications and are deemed to be available for general use by the BOCES. In other Governmental Funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned Fund Balances in the respective fund. The BOCES has no unassigned fund balances as of June 30, 2017.

Future Changes in Accounting Standard

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the period ending June 30, 2018. This Statement requires that the BOCES recognize the full amount of the OPEB liability on the BOCES -wide Statement of Net Position.

The BOCES will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

Total Fund Balances of Governmental Funds Compared To Net Position of Governmental Activities

Total fund balances of the BOCES' governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

Statement of Revenues, Expenditures, and Changes in Fund Balance Versus Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories:

(a) Long-Term Revenue/Expenditure Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used in the Statement of Activities.

(b) Capital Related Differences

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

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Pension Differences

Pension differences occur as a result of changes in the BOCES' proportion of the collective net pension asset/liability and differences between the BOCES' contributions and its proportionate share of the total contributions to the pension systems.

3. DETAILED NOTES ON ALL FUNDS

(a) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$ 2,546,386 in the General Fund represents funds held in the Unemployment Insurance Reserve, Retirement Contribution Reserve, Employee Benefit Accrued Liability Reserve, Liability Reserve, and Career Educational Instructional Equipment Reserve established by BOCES.

Restricted cash and cash equivalents of \$835,782 in the Capital Fund represent funds held for current and future capital projects. In addition, \$580,000 due from other funds is restricted for capital projects.

Restricted cash and cash equivalents of \$7,038 in the fiduciary fund represents various expendable trust funds held by the BOCES.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. DETAILED NOTES ON ALL FUNDS (Continued)

(b) Custodial Credit Risk

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

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

The BOCES' investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities.

As of June 30, 2017, BOCES' bank balances of \$12,073,994 were fully collateralized by FDIC in the amount of \$514,969 and with securities held by an agent of the pledging financial institution in the BOCES' name of \$12,877,822.

(c) Investment Pool

The BOCES participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-o, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

The following amounts are included as restricted and unrestricted cash equivalents:

<u>Fund</u>	<u>Cost</u>	<u>Fair Value</u>
General Fund	\$ 2,900,484	\$ 2,900,484
Capital Fund	751,342	751,342
Total	<u>\$ 3,651,826</u>	<u>\$ 3,651,826</u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. The Investment Pool issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYLAF Administration, PMA Financial Network, 2135 City Gate Lane 7th FL, Naperville, IL 60563.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

(d) **Capital Assets**

Capital asset activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 47,509	\$	\$	\$ 47,509
Construction in Progress	975,072	652,800	1,257,768	370,104
Total	1,022,581	652,800	1,257,768	417,613
Capital Assets Being Depreciated				
Buildings and Improvements	17,830,107	2,109,824		19,939,931
Furniture and Equipment	9,362,497	1,219,129	645,595	9,936,031
Total	27,192,604	3,328,953	645,595	29,875,962
Accumulated Depreciation				
Buildings and Improvements	6,590,738	381,351	18,052	6,954,037
Furniture and Equipment	6,104,660	753,950	597,761	6,260,849
Total	12,695,398	1,135,301	615,813	13,214,886
Net Capital Assets Being Depreciated	14,497,206	2,193,652	29,782	16,661,076
Net Capital Assets	\$ 15,519,787	\$ 2,846,452	\$ 1,287,550	\$ 17,078,689

Depreciation expense of \$1,135,301 is charged as follows:

Function/Program

Administration	\$ 135,418
Occupational Instruction	242,408
Instruction for Students with Special Needs	204,990
Itinerant Services	101,136
General Instruction	104,953
Instructional Support	114,514
Other Services	231,882
Total Depreciation	\$ 1,135,301

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. DETAILED NOTES ON ALL FUNDS (Continued)

(e) Liabilities

Noncurrent Liabilities

Long-term liability balances and activity for the year ended June 30, 2017 is as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Installment Purchase Agreement	\$ 401,938	\$	\$ 204,743	\$ 197,195	\$ 148,013
Energy Performance Contract		852,056	26,746	825,310	60,594
Total Governmental Activities	401,938	852,056	231,489	1,022,505	208,607
Other Liabilities					
Other Postemployment Benefits	13,621,865	2,563,429	1,286,744	14,898,550	
Compensated Absences	1,222,688	100,544		1,323,232	
Total Other Liabilities	14,844,553	2,663,973	1,286,744	16,221,782	
Total Noncurrent Liabilities	\$ 15,246,491	\$ 3,516,029	\$ 1,518,233	\$ 17,244,287	\$ 208,607

The General Fund has typically been used to liquidate noncurrent liabilities through budget appropriations.

Installment Purchase Agreements

The BOCES is obligated under certain installment purchase agreements at various incremental interest rates ranging from .8% to 3.65%. Assets purchased under the agreements totaled \$905,461 at June 30, 2017.

Principal and interest payments due on the installment obligation debt are as follows:

For the Year Ending June 30,	Installment Purchase Agreement		
	Principal	Interest	Total
2018	\$ 148,013	\$ 3,455	\$ 151,468
2019	44,884	831	45,715
2020	4,298	67	4,365
Total	\$ 197,195	\$ 4,353	\$ 201,548

Interest expense on installment purchase debt for the year ended June 30, 2017, was \$7,177 and is reported in program expenditures.

Energy Performance Contract

The BOCES entered into an energy performance contract to provide energy improvement installations to various BOCES buildings. This contract was executed through the John W. Danforth Company. The financing agreement provides for an interest rate of 3.04%. This amount includes a penalty amount for early payment which starts at 2.5% at the inception of the contract and decreases over time. The original issue was dated March 1, 2017 in the amount of \$852,055. The outstanding balance at June 30, 2017 was \$825,310.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. DETAILED NOTES ON ALL FUNDS (Continued)

Principal and interest payments due on the energy performance contract are as follows:

For the Year Ending June 30,	Energy Performance Contract		
	Principal	Interest	Total
2018	\$ 60,594	\$ 23,736	\$ 84,330
2019	46,968	22,246	69,214
2020	51,263	20,843	72,106
2021	55,688	19,290	74,978
2022	58,212	17,619	75,831
2023-2027	303,403	61,454	364,857
2028-2031	249,182	15,310	264,492
Total	<u>\$ 825,310</u>	<u>\$ 180,498</u>	<u>\$ 1,005,808</u>

4. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) *Plan Description*

The BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due and payable. Investments are recognized at fair value. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) *Contributions*

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 and prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2017, were paid.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

The required contributions for the current year and two preceding years were:

	<u>Amount</u>
2015	\$ 574,784
2016	\$ 396,783
2017	\$ 405,926

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

At June 30, 2017, the BOCES reported a liability of \$1,031,305 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOCES proportion of the net pension liability was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, and 2016, the BOCES proportion was .0109757% and .0112401%.

For the year ended June 30, 2017, the BOCES recognized pension expense of \$558,316. At June 30, 2017, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,844	\$ 156,609
Change of assumptions	352,331	
Net difference between projected and actual earnings on Pensions plan investments	205,993	
Changes in proportion and differences between contributions and proportionate share of contributions		107,131
Contributions subsequent to the measurement date	<u>109,059</u>	
Total	<u>\$ 693,227</u>	<u>\$ 263,740</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended June 30:

2018	\$ 162,767
2019	\$ 162,767
2020	\$ 144,027
2021	\$ (149,133)

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

(d) Actuarial Assumptions

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

Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.75%
Real estate	10%	5.80%
Absolute return strategies	2%	4.00%
Opportunistic portfolio	3%	5.89%
Real assets	3%	5.54%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.50%
	<u>100%</u>	

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

(e) Discount Rate

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension liability (assets)	\$ 3,293,783	\$ 1,031,305	\$ (881,616)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in the General Fund of \$109,059 at June 30, 2017. This amount represents the three months of the BOCES's fiscal year that will be paid in the ERS 2017-2018 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The BOCES participates in the New York 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.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

(b) *Contributions*

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, 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 Retirement and Social Security Law. 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.

The required employer contributions for the current year and two preceding years were:

	<u>Amount</u>
2015	\$ 1,125,914
2016	\$ 908,347
2017	\$ 806,444

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

At June 30, 2017, the BOCES reported a liability of \$452,283 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The BOCES proportion of the net pension liability was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the BOCES proportionate share was .042228%, which was an increase of .000013% from its proportionate share measured as of June 30, 2015.

For the year ended June 30, 2017, the BOCES recognized a pension expense of \$751,396. At June 30, 2017, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 146,927
Changes of assumptions	2,576,493	
Net difference between projected and actual earnings on Pensions plan investments	1,016,971	
Changes in proportion and differences between contributions and proportionate share of contributions	24,649	763
Contributions subsequent to the measurement date	806,444	
Total	<u>\$ 4,424,557</u>	<u>\$ 147,690</u>

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension liability. 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 June 30:

2017	\$ 317,849
2018	\$ 317,849
2019	\$ 1,107,656
2020	\$ 861,924
2021	\$ 397,077
Thereafter	\$ 468,058

(d) *Actuarial Assumptions*

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

Significant actuarial assumptions used in the June 30, 2015 valuation were as follows:

Investment Rate of Return	7.5 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually.
Inflation rate	2.5%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

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

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. PENSION PLANS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	37.0%	6.1%
International equity	18.0%	7.3%
Real estate	10.0%	5.4%
Alternative investments	7.0%	9.2%
Domestic fixed income securities	17.0%	1.0%
Global fixed income securities	2.0%	0.8%
Mortgages	8.0%	3.1%
Short-term	1.0%	0.1%
	100%	

* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

(e) Discount Rate

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

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

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability (assets)	\$ 5,901,063	\$ 452,283	\$ (4,117,867)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The BOCES has recorded an amount due to TRS of \$806,444 in the General Fund at June 30, 2017. This amount represents contribution for the 2016-2017 fiscal year that will be made in 2017-2018 and has been accrued as an expenditure in the current year.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

5. POSTRETIREMENT HEALTH CARE BENEFITS

(a) *Plan Description*

At the valuation date, there were 327 current and former employees participating in the BOCES OPEB plan. Benefit provisions are established and amended through negotiations between the BOCES and the respective unions.

The following is a brief description of the plan:

Plan Types: The BOCES provides medical and prescription drug benefits to its eligible retirees. The benefits are provided through an insurance arrangement with the Catskill Area School Employees Benefit Plan (CASEBP) Consortium, with Lifetime Benefit Solutions as third party administrator.

Eligibility: Employees are required to reach age 55 and to have the following years of service to qualify for OPEB:

- Support Staff - 10 years (last 5 years continuous)
- Teachers - 10 years (last 5 years continuous)
- Administrators – 7 years

Benefit Cost Sharing:

- Individual - The BOCES pays 50% to 75% of the retiree's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Spouse - The BOCES pays 25% to 50% of the retiree's qualified dependents premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Surviving Spouse - Following the death of the retiree, the BOCES pays 35% to 51% of the surviving spouse's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.

Annual Medical Premiums for Retirees (Includes Medical and Prescription Drug) are as follows:

	CASEBP			MEDIGAP			<u>MVP Family</u>
	<u>Plan D</u>	<u>Plan L</u>	<u>Plan U</u>	<u>Plan D</u>	<u>Plan L</u>	<u>Plan U</u>	
Individual	\$10,465	\$9,963	\$9,510	\$6,029	\$5,946	\$5,664	
Family	\$26,059	\$25,043	\$23,917				\$23,004

The annual cost for retirees for Medicare Part B is \$1,462 .

(b) *Funding Policy*

The obligations of the Plan members, employers, and other entities are established by action of the BOCES pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The BOCES' annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the BOCES.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

The following table shows the components of the BOCES' annual OPEB cost for the year, the amount contributed to the plan, and changes in the BOCES' net OPEB obligation.

(c) *Annual OPEB Cost and Net OPEB Obligation*

	Total
Normal Cost	\$ 1,095,456
Amortization of UAL	1,297,081
Interest	681,093
Annual required contribution (ARC)	3,073,630
Adjustment to ARC	(510,201)
Annual OPEB Cost (Expense)	2,563,429
Contributions Made	(1,286,744)
Change in Net OPEB Obligation	1,276,685
Net OPEB Obligation at the Beginning of the Year	13,621,865
Net OPEB Obligation at the End of the Year	<u>\$ 14,898,550</u>

(d) *Trend Information*

<u>Fiscal Year Ending</u>	<u>Annual Net OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>% of Expense Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 2,563,429	\$ 1,286,744	50.20%	\$ 14,898,550
June 30, 2016	\$ 2,504,021	\$ 1,378,616	55.06%	\$ 13,621,865
June 30, 2015	\$ 2,402,141	\$ 1,385,084	57.66%	\$ 12,496,460

(e) *Funding Status*

	Total
Actuarial Accrued Liability (AAL)	\$ 34,630,755
Actuarial Value of Assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 34,630,755</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%
Covered Payroll	\$ 8,256,106
UAAL as a Percentage of Covered Payroll	419.5%

(f) *Actuarial Methods and Assumptions*

The projected unit credit actuarial cost method was used to value the Actuarial Accrued Liability and Normal Cost. Under this method, the Normal Cost of the Plan is determined based on the current year's benefit accrual. The Actuarial Accrued Liability is the present value of benefits accrued as of the valuation date, incorporating future trend.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the BOCES and the plan members at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

Significant methods and assumptions were as follows:

Actuarial Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % of Payroll
Amortization Period	30 (years)

Actuarial Assumptions:

Investment Rate of Return	5.0%
Projected Salary Increases	4.0%
Healthcare Inflation Rate	9.50% Initial 5.5% Ultimate
Fiscal year that the Rate Reaches the Ultimate Trend Rate	2018

(g) *Health Care Trend Factors*

Medical care costs are assumed to increase at a rate of 5.30% to 3.84% for the years 2017 and later.

6. BUDGET REVISIONS

The General Fund budget was increased by \$3,035,081 to provide for encumbrances and for changes in program services by the component districts of the BOCES. The increases were approved by the Board during the year.

7. OPERATING LEASES

Short-term operating leases of a one year duration have been negotiated for the use of certain classrooms and facilities. All lease payments are expensed when paid and totaled \$33,004 for the year.

8. RISK FINANCING AND RELATED INSURANCE

The Otsego-Northern Catskill BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BOCES administers and participates in the Catskill Area Schools Employee Benefit Plan (CASEBP) consisting of 18 other governmental entities for their health and dental insurance coverage, as well as, in the Catskill Area Schools Workers' Compensation Plan (CASWCP) consisting of 23 other municipalities for its workers' compensation insurance coverage.

Entities joining the plans must remain members for a minimum of one year; a member may withdraw from the plans after that time by submitting a notice of withdrawal 30 days prior to the plans' year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plans' assets were to be exhausted, members would be responsible for the plan's liabilities. The plans use a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured.

The plans establish a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Consortiums are shared-risk public entity risk pools whereby each entity pays annual premiums as follows: Health Consortium - Monthly premium from individual members based on the type of coverage selected. Workers' Compensation - Premiums are computed based upon an established rate of covered payroll.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

8. RISK FINANCING AND RELATED INSURANCE (Continued)

Premiums paid to the Health, Dental and Workers' Compensation Consortiums totaled \$4,738,349; \$283,907; and \$48,846, respectively, for the year ended June 30, 2017. Paid claims are accounted for in the aggregate with individual entity activity not being tracked separately.

BOCES continues to carry commercial insurance for all other risks of loss such as general liability insurance.

9. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Interfund receivables and payables at June 30, 2017 were as follows:

Fund	Interfund	
	Receivables	Payables
General	\$	\$ 234,542
Special Aid		176,595
Capital Fund	580,000	
Trust and Agency		168,863
Total	<u>\$ 580,000</u>	<u>\$ 580,000</u>

The BOCES typically transfers from the General Fund to the Special Aid Fund to cover fund expenses until the revenue is received.

The BOCES typically transfers amounts from the General Fund administrative capital budget to the Capital Fund to fund capital projects.

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

10. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	General	Capital	Total
Restricted			
Liability Reserve	\$ 13,374	\$	\$ 13,374
Unemployment Insurance Reserve	113,499		113,499
Retirement Contribution Reserve	811,852		811,852
Employee Benefit Accrued Liability Reserve	1,323,232		1,323,232
Career Educational Instructional Equipment Reserve	284,429		284,429
Capital Project		1,372,557	1,372,557
Total Restricted	<u>2,546,386</u>	<u>1,372,557</u>	<u>3,918,943</u>
Assigned			
Administration	30,007		30,007
Occupational Instruction	5,458		5,458
Instruction for Special Needs	1,433		1,433
General Instruction	9,400		9,400
Instructional Support	14,215		14,215
Other Services	74,660		74,660
Total Assigned	<u>135,707</u>		<u>135,707</u>
Total Fund Balance	<u>\$ 2,682,093</u>	<u>\$ 1,372,557</u>	<u>\$ 4,054,650</u>

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

10. FUND BALANCE (Continued)

The following is a summary of the change in selected General Fund restricted fund balance during the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Liability Reserve	\$ 450,721	\$ 20,000	\$ 457,347	\$ 13,374
Unemployment Insurance Reserve	174,156	988	61,645	113,499
Retirement Contribution Reserve	796,254	406,573	390,975	811,852
Employee Benefit Accrued Liability	1,222,688	325,964	225,420	1,323,232
Career Educational Instructional Equipment Reserve	175,969	108,460		284,429
	<u>\$ 2,819,788</u>	<u>\$ 861,985</u>	<u>\$ 1,135,387</u>	<u>\$ 2,546,386</u>

11. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

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

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, Special Revenue Funds, and Capital Projects Funds. At June 30, 2017, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances are as follows:

	<u>General</u>
Administration	\$ 30,007
Occupational Instruction	5,458
Instruction for Special Needs	1,433
Itinerant Services	534
General Instruction	9,400
Instructional Support	14,215
Other Services	74,660
Total Encumbrances	<u>\$ 135,707</u>

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

12. UNRESTRICTED NET POSITION (DEFICIT)

Unrestricted Net Position (Deficit) – BOCES-Wide

The BOCES-wide unrestricted net position had a deficit at June 30, 2017 of \$14,235,866. The deficit is the result of GASB Statement 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*,” which requires the recognition of an unfunded liability of \$14,898,550 at June 30, 2017. Since New York State Law provides no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Administration	\$ 3,287,706	\$ 3,287,711	\$ 2,842,425	\$	(445,286)
Administration - Capital	493,245	493,246	493,545		299
Occupational Instruction	5,976,418	6,249,093	5,940,071		(309,022)
Instruction for Special Needs	4,608,816	5,697,806	5,734,003		36,197
Itinerant Services	2,937,143	2,734,889	2,741,860		6,971
General Instruction	2,687,600	2,705,862	2,095,910		(609,952)
Instruction Support	2,135,465	2,968,226	2,872,442		(95,784)
Other Services and Internal Services	5,038,558	6,063,199	6,721,117		657,918
Total Revenues	<u>\$ 27,164,951</u>	<u>\$ 30,200,032</u>	<u>29,441,373</u>	<u>\$</u>	<u>(758,659)</u>
Expenditures					
Administration	\$ 3,287,706	\$ 3,287,706	\$ 2,840,761	\$ 30,007	\$ 416,938
Administration - Capital	493,245	493,245	493,245		
Occupational Instruction	5,976,418	6,249,094	5,968,146	5,458	275,490
Instruction for Special Needs	4,608,816	5,697,806	5,046,914	1,433	649,459
Itinerant Services	2,937,143	2,734,891	2,490,003	534	244,354
General Instruction	2,687,600	2,705,861	2,583,971	9,400	112,490
Instruction Support	2,135,465	2,968,227	2,819,362	14,215	134,650
Other Services	5,038,558	6,063,202	5,982,390	74,660	6,152
Total Expenditures	<u>27,164,951</u>	<u>30,200,032</u>	<u>28,224,792</u>	<u>\$ 135,707</u>	<u>\$ 1,839,533</u>
Other Financing Uses					
Return of Surplus			2,451,708		
Total Expenditures and Other Financing Uses	<u>\$ 27,164,951</u>	<u>\$ 30,200,032</u>	<u>30,676,500</u>		
Net Change in Fund Balances			(1,235,127)		
Fund Balances - Beginning of Year			3,917,220		
Fund Balances - End of Year			<u>\$ 2,682,093</u>		

Notes to Required Supplementary Information:

The BOCES administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULES OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS
For the Year Ended June 30, 2017

<u>Fiscal Year Ending</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability-Projected Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
June 30, 2017	\$ 0	\$ 34,630,755	\$ 34,630,755	0	\$ 8,256,106	419.5%
June 30, 2016	\$ 0	\$ 33,355,343	\$ 33,355,343	0	\$ 8,507,582	392.1%
June 30, 2015	\$ 0	\$ 32,059,929	\$ 32,059,929	0	\$ 8,443,509	379.7%

See Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
For the Year Ended June 30, 2017

ERS Pension Plan
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 405,926	\$ 396,783	\$ 574,784	\$ 437,898	\$ 510,603	\$ 465,904	\$ 332,024	\$ 197,558	\$ 238,742	\$ 204,982
Contributions in Relation to the Contractually Required Contribution	405,926	396,783	574,784	437,898	510,603	465,904	332,024	197,558	238,742	204,982
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
BOCES's Covered-ERS Employee Payroll	\$ 2,696,613	\$ 2,527,264	\$ 2,632,414	\$ 2,729,765	\$ 2,815,830	\$ 2,911,697	\$ 3,051,035	\$ 2,979,161	\$ 2,892,807	\$ 2,829,877
Contributions as a Percentage of Covered-Employee Payroll	15.05%	15.70%	21.83%	16.04%	18.13%	16.00%	10.88%	6.63%	8.25%	7.24%

TRS Pension Plan
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 806,444	\$ 908,347	\$ 1,125,914	\$ 801,653	\$ 772,210	\$ 784,067	\$ 577,980	\$ 713,808	\$ 784,865	\$ 777,917
Contributions in Relation to the Contractually Required Contribution	806,444	908,347	1,125,914	801,653	772,210	784,067	577,980	713,808	784,865	777,917
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
BOCES's Covered-TRS Employee Payroll	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839	\$ 6,683,110	\$ 6,796,439	\$ 7,581,438	\$ 8,328,530	\$ 8,323,177	\$ 7,498,246
Contributions as a Percentage of Covered-Employee Payroll	11.72%	13.26%	17.38%	12.42%	11.55%	11.54%	7.62%	8.57%	9.43%	10.37%

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2017

ERS Pension Plan

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
District's proportion of the net pension liability	0.010976%		0.011240%		0.001178%		0.001178%
District's proportionate share of the net pension liability	\$ 1,031,305	\$	1,804,060	\$	397,987	\$	532,362
District's covered-employee payroll	\$ 2,696,613	\$	2,527,264	\$	2,632,414	\$	2,729,765
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38%		71.38%		15.12%		19.50%
Plan fiduciary net position as a percentage of total pension liability	94.70%		90.7%		97.9%		97.2%

TRS Pension Plan

	<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>
District's Proportion of the net pension asset/liability	0.042228%		0.042215%		0.042914%		0.044109%
District's proportionate share of the net pension (asset) liability	\$ 452,283	\$	(4,384,828)	\$	(4,780,395)	\$	(290,346)
District's covered-employee payroll	\$ 6,850,279	\$	6,477,654	\$	6,455,839	\$	6,683,110
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	6.60%		67.69%		74.05%		4.34%
Plan fiduciary net position as a percentage of total pension liability	99.01%		110.46%		111.48%		100.70%

Information is presented only for the years available.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULES OF A431 SCHOOL DISTRICT ACCOUNT
For the Year Ended June 30, 2017

Credit Balance, Beginning of Year	\$ (1,551,953)
Debits	
Billings	26,576,941
Refund Balances Due School Districts - June 30, 2016	2,312,133
Encumbrances - June 30, 2017	<u>135,707</u>
Total Debits	<u>29,024,781</u>
Subtotal	<u>27,472,828</u>
Credits	
Collections	(25,803,202)
Refund Balances Due School Districts - June 30, 2017	(2,451,708)
Encumbrances - June 30, 2016	<u>(1,097,432)</u>
Total Credits	<u>(29,352,342)</u>
Balance, End of Year	<u>\$ (1,879,514)</u>
<u>Summary:</u>	
A380 Accounts Receivable Components	\$ 572,194
A431 School District Accounts	<u>(2,451,708)</u>
Balance, End of Year	<u>\$ (1,879,514)</u>

See Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Fund Balance June 30, 2016	Methods of Financing		Fund Balance June 30, 2017
			Prior Years	Current Year			Proceeds of Obligations	State and Local Sources	
PCB Remediation	\$ 925,677	\$ 1,257,766	\$ 975,071	\$ 282,695	\$ 1,257,766	\$ 282,695		\$	\$
Energy Performance Contract - ONC	852,056	852,056		852,056	852,056		852,056		852,056
Renovations and Improvements NCOC	1,433,930	1,433,930		370,105	370,105	403,432		1,339,230	1,372,557
Totals	\$ 3,211,663	\$ 3,543,752	\$ 975,071	\$ 1,504,856	\$ 2,479,927	\$ 686,127	\$ 852,056	\$ 1,339,230	\$ 2,191,286
									\$ 1,372,557

OTSEGO NORTHERN CATSKILLS BOCES
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2017

Capital Assets, Net	\$ 17,078,689
Add:	
Fund Balance Capital	1,372,557
Deduct:	
Long-Term Debt Payable	<u>(1,022,505)</u>
Net Investment in Capital Assets	<u>\$ 17,428,741</u>

See Independent Auditor's Report.

ONC BOCES

Charges for services GASB34

For the Year Ended June 30, 2015

	A2250 codes	Federal	7700.10 Return	Total
Administration	2,582,296		0	\$ 2,582,296
Administration - Capital	493,245		(299)	492,946
Occupational Instruction	5,918,032		(280,879)	5,637,153
Instruction for Special Needs	5,532,046		(686,774)	4,845,272
Itinerant Services	2,434,963		(251,433)	2,183,530
General Instruction	1,984,741	765,131	(126,316)	2,623,556
Instructional Support	2,714,320		(146,980)	2,567,340
Other Services and Internal Services	6,579,248	-	(959,028)	5,620,220
Total Revenue	28,238,891	765,131	(2,451,709)	26,552,313
<hr/>				
Federal				
General Instruction	1,357,760.00	100%	765,131	
Other Services	-	0%	-	
	1,357,760		765131	

