



**MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS**

**AND**

**BASIC FINANCIAL  
STATEMENTS**

**For the Year Ended  
June 30, 2018**

**OTSEGO NORTHERN CATSKILLS BOCES  
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# **D'Arcangelo & Co., LLP**

**Certified Public Accountants & Consultants**

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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, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Northern Catskills BOCES, as of June 30, 2018, 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.

### **New Accounting Standard**

As discussed in Note 1 to the financial statements, the BOCES changed accounting policies related to the financial statement presentation of other post employment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain post employment benefits and disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 10, 2018, 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 10, 2018

# D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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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, 2018, 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 10, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BOCES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 10, 2018

Rome, New York

**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

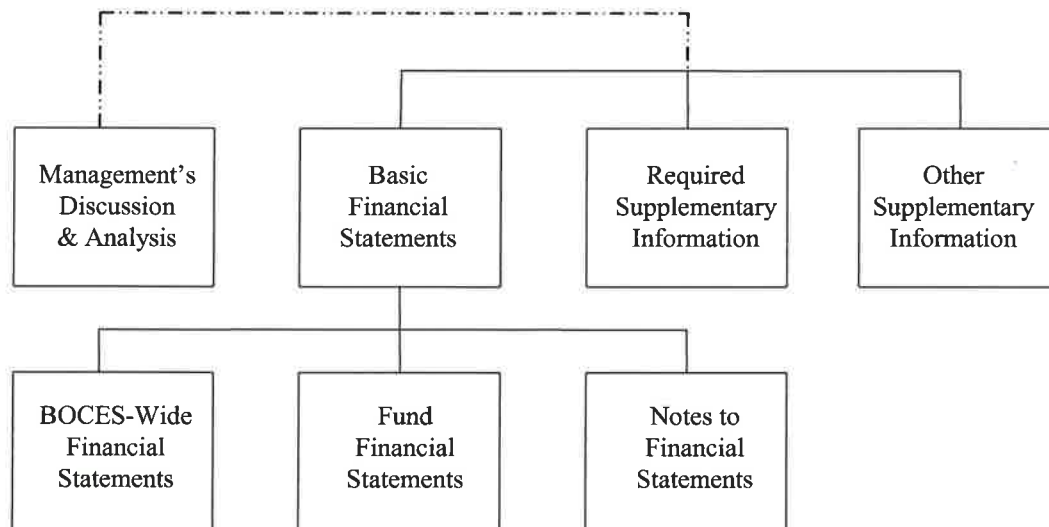
The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2018. This section is a summary of the BOCES' financial activities based on currently known facts, decisions and conditions. It is also based on both the BOCES-wide and fund-based financial statements. 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 restated and reflected in the BOCES-wide financial statements, decreased by \$531,277.
- During the year, the BOCES had expenses in excess of program and general revenues of \$531,277, partially due to an increase of \$749,771 in charges for services and an increase of \$1,280,650 in other services expenses.
- Program revenues included \$27,302,085 in Charges for Services and \$682,872 in Operating Grants and Contributions, which together comprise approximately 96% of total revenues.
- BOCES total General Fund revenue for 2018 was \$30,522,263. Approximately 97% 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 2018-2019, the surplus of \$2,971,463 from 2017-2018 will be returned. During 2017-2018, the surplus of \$2,451,708 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, 2018**

**(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, 2018**

(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, as restated, decreased by \$531,277 between fiscal year 2018 and 2017. A summary of the BOCES Statement of Net Position at June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 17,574,577	\$ 15,712,775	\$ 1,861,802	11.8%
Capital Assets, (Net of Accumulated Depreciation)	<u>16,807,053</u>	<u>17,078,689</u>	<u>(271,636)</u>	(1.6%)
Total Assets	<u>34,381,630</u>	<u>32,791,464</u>	<u>1,590,166</u>	4.8%
Deferred Outflows of Resources				
Deferred Outflow - Pensions	<u>5,162,288</u>	<u>5,117,784</u>	<u>44,504</u>	0.9%
Total Assets and Deferred Outflows	<u>\$ 39,543,918</u>	<u>\$ 37,909,248</u>	<u>\$ 1,634,670</u>	4.3%
Non-Current Liabilities	\$ 55,767,244	\$ 56,443,768	\$ (676,524)	(1.2%)
Other Liabilities	<u>12,061,241</u>	<u>13,141,713</u>	<u>(1,080,472)</u>	(8.2%)
Total Liabilities	<u>67,828,485</u>	<u>69,585,481</u>	<u>(1,756,996)</u>	(2.5%)
Deferred Inflows of Resources				
Deferred Inflow - OPEB	2,256,029		2,256,029	100.0%
Deferred Inflow - Pensions	<u>2,078,344</u>	<u>411,430</u>	<u>1,666,914</u>	405.2%
Total Deferred Inflows	<u>4,334,373</u>	<u>411,430</u>	<u>3,922,943</u>	953.5%
Net Position				
Net Investment in Capital Assets	17,896,114	17,428,741	467,373	2.7%
Restricted	5,179,657	3,918,943	1,260,714	32.2%
Unrestricted (Deficit)	<u>(55,694,711)</u>	<u>(53,435,347)</u>	<u>(2,259,364)</u>	(4.2%)
Total Net Position (Deficit)	<u>(32,618,940)</u>	<u>(32,087,663)</u>	<u>(531,277)</u>	(1.7%)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 39,543,918</u>	<u>\$ 37,909,248</u>	<u>\$ (621,359)</u>	(1.6%)

Current and other assets increased by \$1,861,802 as compared to the prior year. The increase is primarily due to an increase in the restricted cash and cash equivalents of \$1,778,329 due to a surplus in the general and capital funds.

Capital assets decreased by \$271,636, as compared to the prior year. This decrease is primarily due to the cost of current year depreciation expense exceeding capital additions.

Non-current liabilities, as restated, decreased by \$676,524, as compared to the prior year. This decrease is primarily the result of payments on the energy performance contract and a decrease in the OPEB liability.

See Independent Auditor's Report



**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

Other liabilities decreased by \$1,080,472 as compared to the prior year. The decrease is primarily the result of a decrease in accounts payable as well as a decrease in the ERS Net Pension Liability (proportionate share).

Changes in deferred outflows and inflows of resources correlate primarily with the information reported to the BOCES by the retirement systems as well as the actuary regarding the OPEB liability.

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, 2018, is a deficit of \$55,694,711, 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 recognition of the other postemployment benefit liability.

**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, 2018 and 2017 is as follows:

	2018	Restated 2017	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 27,302,085	\$ 26,552,314	\$ 749,771	2.8%
Operating Grants	682,872	595,396	87,476	14.7%
General Revenues				
Interest and Earnings	24,514	10,111	14,403	142.4%
Refund of Prior Year's Expenditures	506,166	777,803	(271,637)	(34.9%)
Miscellaneous	757,821	1,293,557	(535,736)	(41.4%)
Sales of Property and Compensation for Loss	(34,627)	(29,782)	(4,845)	(16.3%)
Total Revenues	<u>29,238,831</u>	<u>29,199,399</u>	<u>39,432</u>	0.1%
<b>Expenses</b>				
Administration	3,055,368	2,952,385	102,983	3.5%
Administration- Capital	80,249	275,413	(195,164)	(70.9%)
Occupational Instruction	5,609,156	6,130,545	(521,389)	(8.5%)
Instruction for Special Needs	5,552,189	5,112,033	440,156	8.6%
Intinerant Services	2,486,198	2,577,186	(90,988)	(3.5%)
General Instruction	3,476,341	4,040,571	(564,230)	(14.0%)
Instructional Support	3,226,365	3,031,124	195,241	6.4%
Other Services	6,284,242	6,217,024	67,218	1.1%
Total Expenses	<u>29,770,108</u>	<u>30,336,281</u>	<u>(566,173)</u>	(1.9%)
Total Change in Net Position	<u>\$ (531,277)</u>	<u>\$ (1,136,882)</u>	<u>\$ 605,605</u>	53.3%

The BOCES' revenues increased by \$39,432 in 2018, primarily due to an increase in operating grants and charges for services revenues during the current year.

The BOCES' expenses for the year decreased by \$566,173. This decrease is primarily in occupational education and general instruction, relating to decreased requests for services, salaries and benefits, distance learning, and offset by an increase in instruction for special needs.

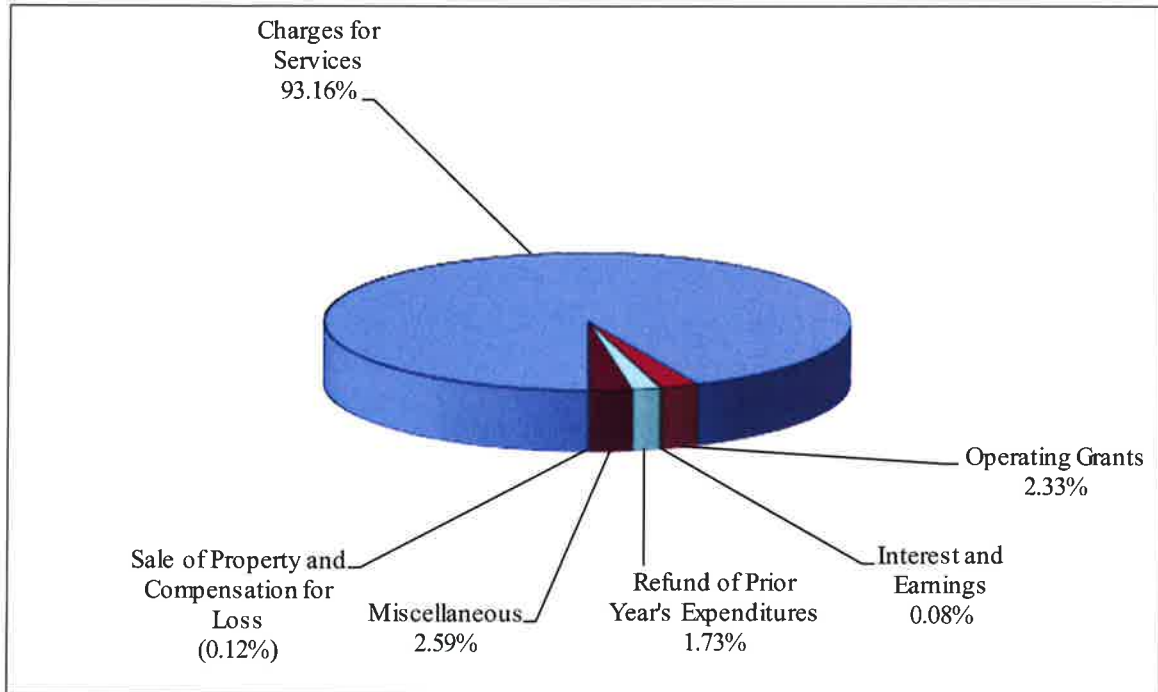
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**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

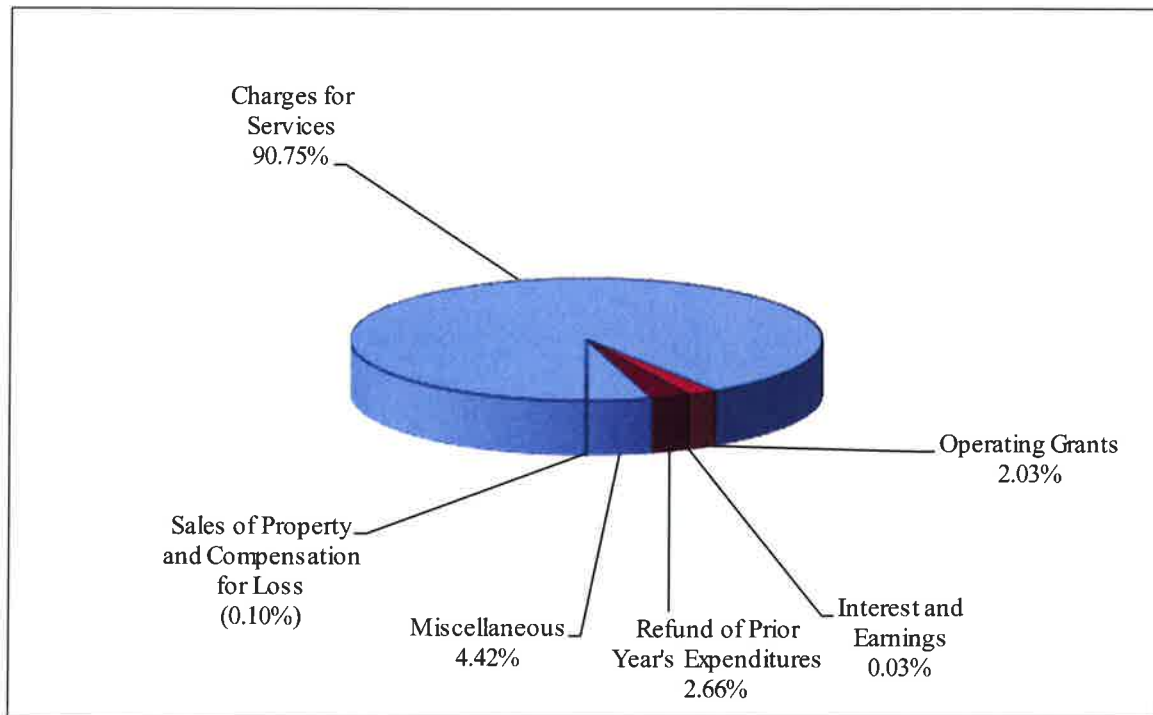
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A graphic display of the distribution of revenues for the two years follows:

**For the Year Ended June 30, 2018**



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



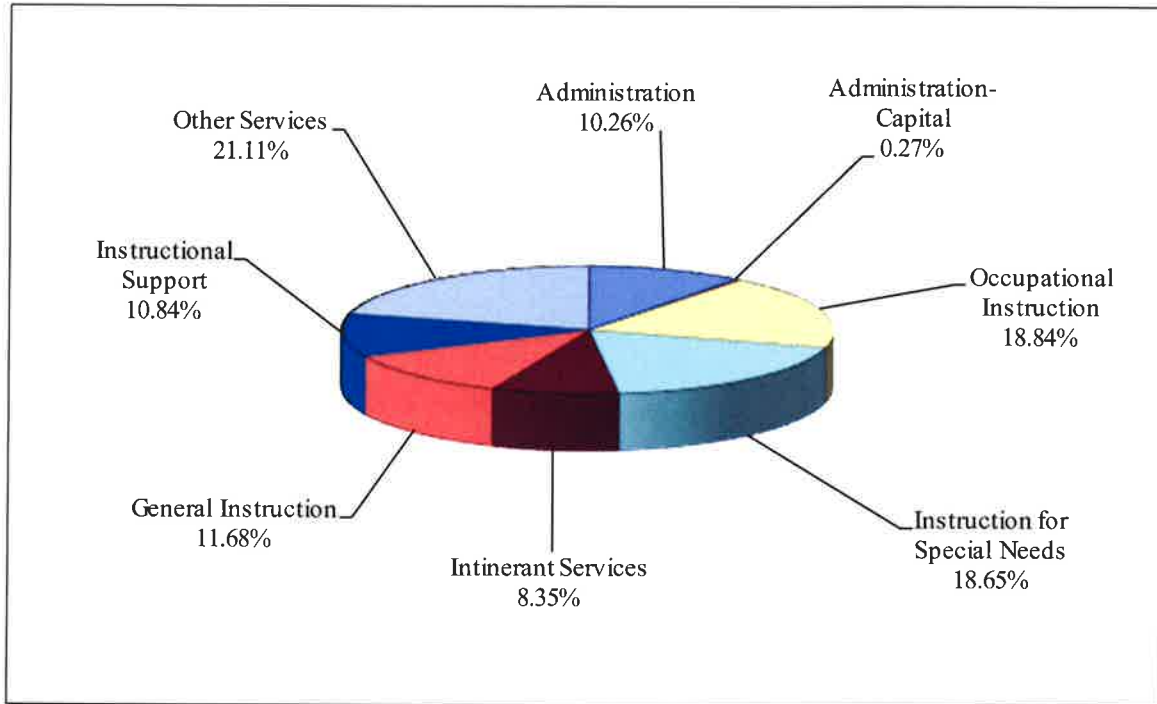
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**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

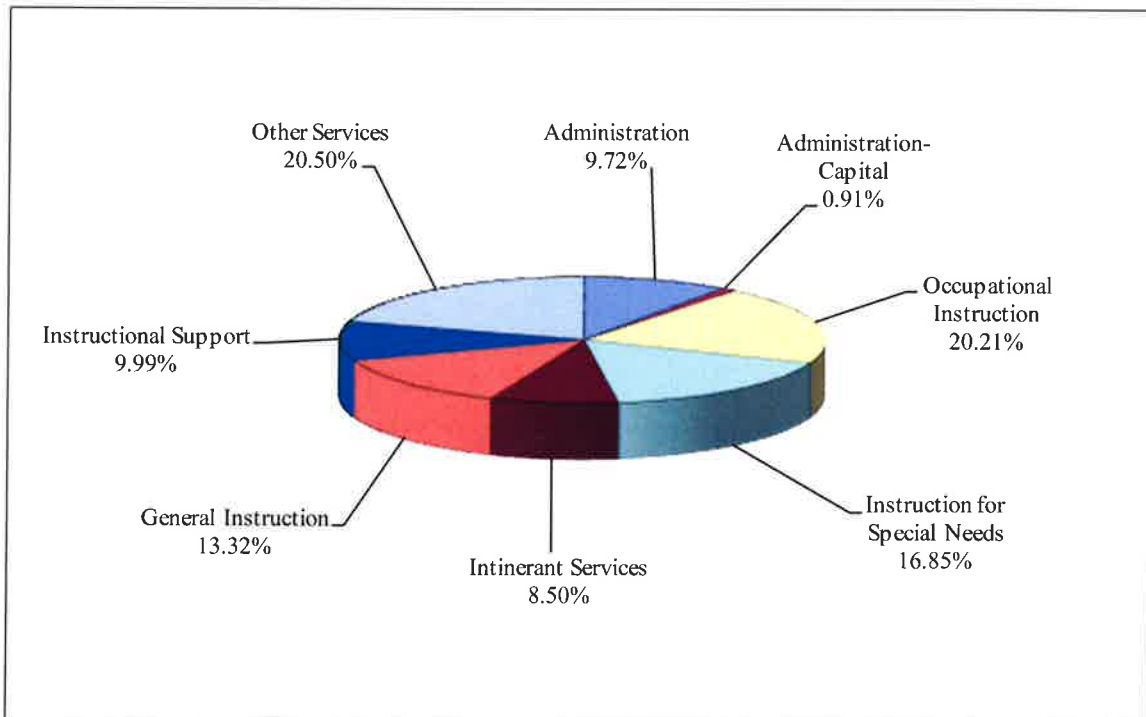
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A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2018**



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



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**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**4. FINANCIAL ANALYSIS OF THE BOCES' FUND BALANCES**

At June 30, 2018, the BOCES governmental funds reported a combined fund balance of \$5,554,673 which is an increase of \$1,500,023 from the prior year. A summary of the change in fund balance by fund is as follows:

General Fund	2018	2017	Increase (Decrease)
Restricted:			
Unemployment Insurance Reserve	\$ 48,140	\$ 113,499	\$ (65,359)
Employee Benefit Accrued Liability Reserve	1,419,162	1,323,232	95,930
Liability Reserve	430,000	13,374	416,626
Career Educational Instructional Equipment Reserve	403,458	284,429	119,029
Retirement Contribution Reserve	849,889	811,852	38,037
Total	3,150,649	2,546,386	604,263
Assigned	375,016	135,707	239,309
Total	3,525,665	2,682,093	843,572
<b>Capital Projects Fund</b>			
Restricted	2,029,008	1,372,557	656,451
Total Fund Balance	<u>\$ 5,554,673</u>	<u>\$ 4,054,650</u>	<u>\$ 1,500,023</u>

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

- The difference between the original approved budget plus encumbrances of \$26,481,519 and the amended budget of \$30,588,649 is \$4,107,130, or 15.5%. 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 46 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2018.
- Actual expenditures were under the amended budget by \$3,881,421 (before encumbrances of \$375,016), and actual revenues were under the amended budget by \$66,386, or 0.2%.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2018 and 2017, the BOCES had \$16,807,053 and \$17,078,689, 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, 2018 and 2017, is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 47,509	\$ 47,509	\$
Construction in Process	56,593	370,105	(313,512)
Buildings and Improvements	13,068,541	12,985,894	82,647
Furniture and Equipment	3,634,410	3,675,181	(40,771)
Capital Assets, Net	<u>\$ 16,807,053</u>	<u>\$ 17,078,689</u>	<u>\$ (271,636)</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 \$1,247,109 and \$1,135,301 for June 30, 2018 and 2017, respectively.

See Independent Auditor's Report

**OTSEGO NORTHERN CATSKILLS BOCES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**B. Long-Term Debt**

At June 30 2018, the BOCES had total long-term debt of \$55,767,244. A summary of the long-term debt at June 30, 2018 and 2017, is as followed:

	2018	Restated 2017	Increase (Decrease)
Installment Purchase Agreements	\$ 175,231	\$ 197,195	\$ (21,964)
Energy Performance Contract	764,716	\$ 825,310	(60,594)
Compensated Absences	1,419,162	1,323,232	95,930
OPEB Liability	53,408,135	54,098,031	(689,896)
Total Long Term Debt	<u>\$ 55,767,244</u>	<u>\$ 56,443,768</u>	<u>\$ (676,524)</u>

**7. FACTORS BEARING ON THE BOCES FUTURE**

ONC BOCES is dedicated to both the leadership and support of our component schools. As enrollment at our 19 component schools continues to decline on a collective basis, we worry about the effect of the loss of some of our student base. Many of the schools in our southern region are now educating less than 300 students in a district. The school communities are also still very limited in the amount of revenue that can be obtained through the broken state funding system and operating 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 to send 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 to offer a new mechatronics/robotics program in 2019. 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 best supports in place for their students to succeed. These efforts have led to increased enrollment for the BOCES over the past three 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. The Shared Business Office is being asked by many new districts to provide back office functions in the areas of school finance, accounting, and reporting. This service has the continued potential for growth. Our Human Resource Office is 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, where both component and noncomponent district staff receive assistance with obtaining the required certifications. The CASEBP Plan had a successful transition to Excellus as their Third Party Administrator (TPA). This has resulted in significant discounts in provider fees which has helped to strengthen the plan while maintaining very low premium increases. In addition, we are now offering a number of new volunteer benefits to schools such as Life Insurance, Disability Insurance, and a Vision Plan.

The BOCES completed a much needed project last spring for renovations of the main Parking Lot at our NCOC location. In the Fall of 2018, the administration is implementing a generator project at the OAOC location, to power the building, including the server room which houses technology that is critical to operations throughout the region. The BOCES has also been planning for reconstruction of internal spaces at OAOC to accommodate the new Mechatronics Lab. This state of the art facility should be ready for use by the start of the 2019-20 school year. By continuously planning and completing capital renovations, the BOCES can avoid the need for emergency projects and therefore keep that 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, 2018**

**(Continued)**

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**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, 2018**

**Assets**

Cash and Cash Equivalents	\$ 7,123,350
Restricted Cash and Cash Equivalents	5,160,497
Receivables	
State and Federal Aid	4,113,867
Due from Fiduciary Funds	282,334
Due from Components	578,175
Accounts Receivable	3,035
Net Pension Asset - Proportionate Share	313,319
Capital Assets, Net of Accumulated Depreciation	<u>16,807,053</u>
Total Assets	<u>34,381,630</u>

**Deferred Outflows of Resources**

Deferred Outflow - Pensions	<u>5,162,288</u>
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**Total Assets and Deferred Outflows**

\$ 39,543,918

**Liabilities**

Due to Components - Refund of Surplus	\$ 2,971,463
Due to Components - State Aid	3,853,808
Due to	
Teachers' Retirement System	685,018
Employees' Retirement System	116,727
Accounts Payable	822,712
Accrued Liabilities	304,535
Deferred Credits	
Overpayments and Collections in Advance	2,623,803
Unearned Revenues	328,519
Net Pension Liability - Proportionate Share	354,656
Noncurrent Liabilities	
Due Within One Year	137,506
Due in More Than One Year	<u>55,629,738</u>
Total Liabilities	<u>67,828,485</u>

**Deferred Inflows of Resources**

Deferred Inflow - OPEB	2,256,029
Deferred Inflow - Pensions	<u>2,078,344</u>
Total Deferred Inflows	<u>4,334,373</u>

**Total Liabilities and Deferred Inflows**

72,162,858

**Net Position**

Net Investment in Capital Assets	17,896,114
Restricted	5,179,657
Unrestricted (Deficit)	<u>(55,694,711)</u>
Total Net Position (Deficit)	<u>(32,618,940)</u>

**Total Liabilities, Deferred Inflows, and Net Position**

\$ 39,543,918

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

**OTSEGO NORTHERN CATSKILLS BOCES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Administration	\$ 3,055,368	\$ 2,450,948	\$	\$ (604,420)
Administration - Capital	80,249	641,659		561,410
Occupational Instruction	5,609,156	5,347,476		(261,680)
Instruction for Special Needs	5,552,189	5,260,341		(291,848)
Itinerant Services	2,486,198	2,378,697		(107,501)
General Instruction	3,476,341	2,617,699	682,872	(175,770)
Instruction Support	3,226,365	3,083,484		(142,881)
Other Services	6,284,242	5,521,781		(762,461)
Total Functions/Programs	<u>\$ 29,770,108</u>	<u>\$ 27,302,085</u>	<u>\$ 682,872</u>	<u>(1,785,151)</u>
<b>General Revenues</b>				
Interest and Earnings				24,514
Loss on Sales of Property				(34,627)
Refund of Prior Year's Expenditures				506,166
Miscellaneous				<u>757,821</u>
Total General Revenues				<u>1,253,874</u>
Change in Net Position				<u>(531,277)</u>
Net Position, Beginning of Year				7,111,818
Cumulative Effect of Change in Accounting Principle				<u>(39,199,481)</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(32,087,663)</u>
Net Position (Deficit), End of Year				<u>\$ (32,618,940)</u>

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

**OTSEGO NORTHERN CATSKILLS BOCES**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2018**

	General	Special Aid	Capital	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 6,951,741	\$ 171,609	\$	\$ 7,123,350
Restricted Cash and Cash Equivalents	3,150,649		2,009,848	5,160,497
Receivables				
State and Federal Aid	3,853,808	260,059		4,113,867
Due from Components	578,175			578,175
Due from Other Funds	296,661		22,270	318,931
Accounts Receivable	3,035			3,035
Total Assets	<u>\$ 14,834,069</u>	<u>\$ 431,668</u>	<u>\$ 2,032,118</u>	<u>\$ 17,297,855</u>
<b>Liabilities</b>				
Due to Components - Refund of Surplus	\$ 2,971,463	\$	\$	\$ 2,971,463
Due to Components - State Aid	3,853,808			3,853,808
Due To				
Other Funds		36,597		36,597
Teachers' Retirement System	685,018			685,018
Employees' Retirement System	116,727			116,727
Accounts Payable	738,550	81,052	3,110	822,712
Accrued Liabilities	302,667	1,868		304,535
Overpayments and Collections in Advance	2,623,803			2,623,803
Unearned Revenue	16,368	312,151		328,519
Total Liabilities	<u>11,308,404</u>	<u>431,668</u>	<u>3,110</u>	<u>11,743,182</u>
<b>Fund Balances</b>				
Restricted	3,150,649		2,029,008	5,179,657
Assigned	375,016			375,016
Total Fund Balances	<u>3,525,665</u>		<u>2,029,008</u>	<u>5,554,673</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,834,069</u>	<u>\$ 431,668</u>	<u>\$ 2,032,118</u>	<u>\$ 17,297,855</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, 2018**

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Total Governmental Fund Balances	\$ 5,554,673
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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	31,057,303
Accumulated Depreciation	<u>(14,250,250)</u>
	<u>16,807,053</u>

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.

Net Pension Asset- Proportionate Share	313,319
Deferred Outflows- Pensions	<u>5,162,288</u>
	<u>5,475,607</u>

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	(175,231)
Energy Performance Contract	(764,716)
Other Post Employment Liabilities	(53,408,135)
Compensated Absences Payable	<u>(1,419,162)</u>
	<u>(55,767,244)</u>

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	(354,656)
Deferred Inflows- OPEB	(2,256,029)
Deferred Inflows- Pensions	<u>(2,078,344)</u>
	<u>(4,689,029)</u>

Total Net Position	<u>\$ (32,618,940)</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, 2018**

	General	Special Aid	Capital	Total
<b>Revenues</b>				
Charges for Services	\$	\$ 801,792	\$	\$ 801,792
Charges to Components - Administration	3,092,913			3,092,913
Charges to Components - Service Programs	24,368,198			24,368,198
Charges to Non-Components and Other BOCES	2,010,648			2,010,648
Interest and Earnings	10,525		13,989	24,514
Miscellaneous	533,813		224,008	757,821
Refund of Prior Year's Expenditures	506,166			506,166
Interfund Revenues			610,038	610,038
State and Local Sources		261,527		261,527
Federal Sources		421,345		421,345
Total Revenues	<u>30,522,263</u>	<u>1,484,664</u>	<u>848,035</u>	<u>32,854,962</u>
<b>Expenditures</b>				
Administration	2,837,776			2,837,776
Administration - Capital	641,965			641,965
Occupational Instruction	5,259,501			5,259,501
Instruction for Special Needs	5,230,783			5,230,783
Itinerant Services	2,335,222			2,335,222
General Instruction	1,857,612	1,478,135		3,335,747
Instructional Support	2,997,943			2,997,943
Other Services	5,546,426		367,388	5,913,814
General Support		6,529		6,529
Total Expenditures	<u>26,707,228</u>	<u>1,484,664</u>	<u>367,388</u>	<u>28,559,280</u>
Excess Revenues Over Expenditures	<u>3,815,035</u>		<u>480,647</u>	<u>4,295,682</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds on Installment Purchase Agreements			175,804	175,804
Return of Surplus	(2,971,463)			(2,971,463)
Total Other Financing Sources (Uses)	<u>(2,971,463)</u>		<u>175,804</u>	<u>(2,795,659)</u>
<b>Excess Revenues Over Expenditures and Other Financing Sources</b>	843,572		656,451	1,500,023
<b>Fund Balances, Beginning of Year</b>	<u>2,682,093</u>		<u>1,372,557</u>	<u>4,054,650</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,525,665</u>	<u>\$</u>	<u>\$ 2,029,008</u>	<u>\$ 5,554,673</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, 2018**

Net Changes in Fund Balances - Total Governmental Funds \$ 1,500,023

**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 depreciation exceeded capital outlays in the period, net of related losses on the disposal of capital assets.

Depreciation Expense	(1,247,109)	
Loss on Disposal	(34,627)	
Capital Outlays	<u>1,010,100</u>	(271,636)

**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	21,964	
Additional Accrual of Other Post Employment Liabilities	(1,566,133)	
Change in Energy Performance Contract	60,594	
Change in Compensated Absences	<u>(95,930)</u>	(1,579,505)

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	(203,794)	
Employees' Retirement System	<u>23,635</u>	(180,159)

Change in Net Position Governmental Activities \$ (531,277)



**OTSEGO NORTHERN CATSKILLS BOCES**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

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	Private Purpose Trusts	Agency
<b>Assets</b>		
Cash and Cash Equivalents - Unrestricted	\$	\$ 342,555
Cash and Cash Equivalents - Restricted	<u>8,219</u>	<u></u>
Total Assets	<u><u>\$ 8,219</u></u>	<u><u>\$ 342,555</u></u>
<b>Liabilities</b>		
Accrued Liabilities	\$	\$ 3,561
Accounts Payable		1,522
Due to Other Funds		282,333
Extraclassroom Activity Balances	<u></u>	<u>55,139</u>
Total Liabilities	<u></u>	<u><u>\$ 342,555</u></u>
<b>Net Position</b>		
Restricted for Scholarships	<u>8,219</u>	
Total Net Position	<u>8,219</u>	
<b>Total Liabilities and Net Position</b>	<u><u>\$ 8,219</u></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, 2018**

	Private Purpose Trusts
<b>Additions</b>	
Interest Income	\$ 2
Gifts and Contributions	<u>3,354</u>
Total Additions	<u>3,356</u>
<b>Deductions</b>	
Scholarships and Awards	<u>2,175</u>
<b>Change in Net Position</b>	1,181
<b>Net Position, Beginning of Year</b>	<u>7,038</u>
<b>Net Position, End of Year</b>	<u><u>\$ 8,219</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, 2018**

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**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, 2018, the BOCES billed its component Districts and non-components \$27,461,111 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 Consortia. The Consortia 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, 2018**

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***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, 2018**

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***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, 2018**

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***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. The 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, 2018**

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***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.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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 two items that qualify for reporting in this category. The first 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. The second item is related to other postemployment benefits (OPEB) reported on the BOCES-wide Statement of Net Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

***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.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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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, 2018.

**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, 2018.

**New Accounting Standard**

The BOCES changed accounting policies related to the financial statement presentation of other post employee benefits (OPEB) with the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain post-employment benefits and disclosures related to all fair value measurements.

**Future Changes in Accounting Standards**

- GASB Statement No. 84 – Fiduciary Activities      Effective for the year ended June 30, 2020
- GASB Statement No. 87 – Leases      Effective for the year ended June 30, 2021

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

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**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.

***(e) OPEB Differences***

OPEB differences occur as a result of changes in the BOCES' total OPEB liability and differences between the BOCES' contributions and OPEB expense.

**3. DETAILED NOTES ON ALL FUNDS**

***(a) Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents of \$ 3,150,649 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 \$2,009,848 in the Capital Fund represent funds held for current and future capital projects. In addition, \$22,270 due from other funds is restricted for capital projects.

Restricted cash and cash equivalents of \$8,219 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, 2018**

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**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, 2018, BOCES' bank balances of \$15,246,919 were fully collateralized by FDIC in the amount of \$651,332 and with securities held by an agent of the pledging financial institution in the BOCES' name of \$15,124,932.

**(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	\$ 3,322,357	\$ 3,322,357
Capital Fund	<u>1,777,679</u>	<u>1,777,679</u>
Total	<u>\$ 5,100,036</u>	<u>\$ 5,100,036</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 7<sup>th</sup> FL, Naperville, IL 60563.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**(d) *Capital Assets***

Capital asset activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 47,509	\$	\$	\$ 47,509
Construction in Progress	370,104	190,057	503,568	56,593
Total	417,613	190,057	503,568	104,102
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	19,939,931	503,568		20,443,499
Furniture and Equipment	9,936,031	820,043	246,372	10,509,702
Total	29,875,962	1,323,611	246,372	30,953,201
<b>Accumulated Depreciation</b>				
Buildings and Improvements	6,954,037	420,922		7,374,959
Furniture and Equipment	6,260,849	826,187	211,745	6,875,291
Total	13,214,886	1,247,109	211,745	14,250,250
<b>Net Capital Assets Being Depreciated</b>	16,661,076	76,502	34,627	16,702,951
<b>Net Capital Assets</b>	<u>\$ 17,078,689</u>	<u>\$ 266,559</u>	<u>\$ 538,195</u>	<u>\$ 16,807,053</u>

Depreciation expense of \$1,247,109 is charged as follows:

**Function/Program**

Administration	\$ 158,894
Occupational Instruction	240,162
Instruction for Students with Special Needs	238,850
Itinerant Services	106,632
General Instruction	84,823
Instructional Support	136,893
Other Services	280,855
Total Depreciation	<u>\$ 1,247,109</u>



**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**(e) Liabilities**

**Noncurrent Liabilities**

Long-term liability balances and activity for the year ended June 30, 2018 is as follows:

Description	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Installment Purchase Agreement	\$ 197,195	\$ 175,804	\$ 197,768	\$ 175,231	\$ 90,537
Energy Performance Contract	825,310		60,594	764,716	46,968
Total Governmental Activities	1,022,505	175,804	258,362	939,947	137,505
Other Liabilities					
Other Postemployment Benefits	54,098,031	3,263,419	3,953,315	53,408,135	
Compensated Absences	1,323,232	95,930		1,419,162	
Total Other Liabilities	55,421,263	3,359,349	3,953,315	54,827,297	
Total Noncurrent Liabilities	\$ 56,443,768	\$ 3,535,153	\$ 4,211,677	\$ 55,767,244	\$ 137,505

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 \$1,081,264 at June 30, 2018.

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
2019	\$ 90,537	\$ 4,933	\$ 95,470
2020	51,463	2,659	54,122
2021	33,231	1,031	34,262
Total	\$ 175,231	\$ 8,623	\$ 183,854

Interest expense on installment purchase debt for the year ended June 30, 2018, was \$3,455 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, 2018 was \$764,716.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**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
2019	\$ 46,968	\$ 17,206	\$ 64,174
2020	51,263	20,843	72,106
2021	55,688	19,290	74,978
2022	58,212	17,619	75,831
2023	60,792	15,882	76,674
2024-2028	306,638	52,377	359,015
2029-2031	185,155	8,504	193,659
Total	<u>\$ 764,716</u>	<u>\$ 151,721</u>	<u>\$ 916,437</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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, 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, 2018, were paid.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**4. PENSION PLANS (Continued)**

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

	<u>Amount</u>
2016	\$ 396,783
2017	\$ 405,926
2018	\$ 424,946

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

At June 30, 2018, the BOCES reported a liability of \$354,656 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, 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, 2018, and 2017, the BOCES proportion was .010989% and .010976%, respectively.

For the year ended June 30, 2018, the BOCES recognized pension expense of \$391,293. At June 30, 2018, 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	\$ 126,494	\$ 104,530
Change of assumptions	235,166	
Net difference between projected and actual earnings on Pensions plan investments	515,110	1,016,776
Changes in proportion and differences between contributions and proportionate share of contributions	573	96,281
Contributions subsequent to the measurement date	116,727	
Total	<u>\$ 994,070</u>	<u>\$ 1,217,587</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended June 30:

2019	\$ 38,453
2020	\$ 19,691
2021	\$ (273,842)
2022	\$ (124,546)

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**4. PENSION PLANS (Continued)**

**(d) Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017 with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	7.00%
Salary scale	3.80%
Inflation rate	2.50%
Cost of Living Adjustment	1.30%

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

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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, 2018 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed Bonds	4%	1.25%
	<u>100%</u>	

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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)	\$ 2,683,425	\$ 354,656	\$ (1,615,389)

**(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 \$116,727 at June 30, 2018. This amount represents the three months of the BOCES's fiscal year that will be paid in the ERS 2018-2019 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](http://www.nystrs.org).

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**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>
2016	\$ 908,347
2017	\$ 806,444
2018	\$ 639,751

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

At June 30, 2018, the BOCES reported an asset of \$313,319 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The BOCES proportion of the net pension asset was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the BOCES proportionate share was .041221%, which was a decrease of .001007% from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the BOCES recognized a pension expense of \$802,719. At June 30, 2018, 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	\$ 257,785	\$ 122,160
Changes of assumptions	3,188,084	
Net difference between projected and actual earnings on Pensions plan investments		737,957
Changes in proportion and differences between contributions and proportionate share of contributions	82,598	640
Contributions subsequent to the measurement date	<u>639,751</u>	
Total	<u>\$ 4,168,218</u>	<u>\$ 860,757</u>



**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**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 asset. 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:

2018	\$ 87,503
2019	\$ 858,467
2020	\$ 618,597
2021	\$ 164,841
2022	\$ 616,841
Thereafter	\$ 321,461

**(d) *Actuarial Assumptions***

The total pension asset at June 30, 2017 measurement date was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the June 30, 2016 valuation were as follows:

Investment Rate of Return	7.25 % 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, 2018**

**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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	35.0%	5.9%
International Equity	18.0%	7.4%
Real Estate	11.0%	4.3%
Private Equities	8.0%	9.0%
Domestic Fixed Income Securities	16.0%	1.6%
Global Fixed Income Securities	2.0%	1.3%
High-Yield Fixed Income Securities	1.0%	3.9%
Mortgages	8.0%	2.8%
Short-Term	1.0%	0.6%
	100%	

\* Real rates of return are net of the long-term inflation assumption of 2.2% for 2017.

***(e) Discount Rate***

The discount rate used to measure the pension liability (asset) was 7.25%. 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (assets)	\$ 5,397,563	\$ (311,319)	\$ (5,095,899)

***(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 \$685,018 in the General Fund at June 30, 2018. This amount represents contribution for the 2017-2018 fiscal year that will be made in 2018-2019 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, 2018**

**5. POSTRETIREMENT HEALTH CARE BENEFITS**

***(a) Plan Description and Benefits Provided***

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 Excellus as third party administrator. Benefit provisions are established and amended through negotiations between the BOCES and the respective unions as follows:

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			MVP Family
	Plan D	Plan L	Plan U	Plan D	Plan L	Plan 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) Employees Covered by Benefit Terms***

	Total
Inactive employees currently receiving benefit payments	149
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	178
Total	327

***(c) Total OPEB Liability***

The BOCES' total OPEB liability of \$53,408,135 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)**

**(d) *Changes in the Total OPEB Liability***

Changes in the BOCES' total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balances, June 30, 2017	\$ 54,098,031
Changes recongnized for the year:	
Service cost	1,349,056
Interest on Total OPEB Liability	1,914,363
Changes of Assumptions or Other Inputs	(2,704,902)
Benefit payments	<u>(1,248,413)</u>
Net changes	<u>(689,896)</u>
Balances, June 30, 2018	<u>\$ 53,408,135</u>

Changes of assumptions and other inputs reflect changes in assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

**(e) *Sensitivity of the total OPEB liability to changes in the discount rate***

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease <u>(2.87%)</u>	Current Assumption <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB liability	\$ 65,583,587	\$ 53,408,135	\$ 46,324,688

**(f) *Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current healthcare cost trend rate:

	1% Decrease <u>(2.87%)</u>	Current Assumption <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB liability	\$ 45,675,512	\$ 53,408,135	\$ 66,611,450

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)**

**(g) *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the BOCES recognized OPEB expense of \$1,566,153. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions or other inputs		2,256,029
Contributions subsequent to the measurement date		
Total	\$	\$ 2,256,029

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

Year ended June 30:	<u>Amount</u>
2019	(448,873)
2020	(448,873)
2021	(448,873)
2022	(448,873)
2023	(448,873)
Thereafter	(11,664)

**(h) *Actuarial Methods and Assumptions***

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation rate	2.20%
Healthcare Cost Trend Rates	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078
Salary Changes	10.47% - 3.20%
Wage Inflation	3.20%
Discount Rate	3.87%
Retirees' Share of Benefit-Related Costs	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078

The selected discount rate of 3.87% was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial study for the period of April 1, 2010-March 31, 2015.

**6. BUDGET REVISIONS**

The General Fund budget was increased by \$4,107,130 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.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**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 \$31,927 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.

Premiums paid to the Health, Dental and Workers' Compensation Consortiums totaled \$4,051,841; \$289,950; and \$80,863, respectively, for the year ended June 30, 2018. 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	\$ 296,661	\$
Special Aid		36,598
Capital Fund	22,270	
Trust and Agency		282,333
Total	<u>\$ 318,931</u>	<u>\$ 318,931</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.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**10. FUND BALANCE**

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

	<u>General</u>	<u>Capital</u>	<u>Total</u>
<b>Restricted</b>			
Liability Reserve	\$ 430,000	\$	\$ 430,000
Unemployment Insurance Reserve	48,140		48,140
Retirement Contribution Reserve	849,889		849,889
Employee Benefit Accrued Liability Reserve	1,419,162		1,419,162
Career Educational Instructional Equipment Reserve	403,458		403,458
Capital Project		2,029,008	2,029,008
<b>Total Restricted</b>	<u>3,150,649</u>	<u>2,029,008</u>	<u>5,179,657</u>
<b>Assigned</b>			
Administration	15,859		15,859
Occupational Instruction	109,704		109,704
Instruction for Special Needs	51,537		51,537
Itinerant Services	44,043		44,043
Instructional Support	123,817		123,817
Other Services	30,056		30,056
<b>Total Assigned</b>	<u>375,016</u>		<u>375,016</u>
<b>Total Fund Balance</b>	<u>\$ 3,525,665</u>	<u>\$ 2,029,008</u>	<u>\$ 5,554,673</u>

The following is a summary of the change in selected General Fund restricted fund balance during the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Liability Reserve	\$ 13,374	\$ 416,626	\$	\$ 430,000
Unemployment Insurance Reserve	113,499	1,289	66,648	48,140
Retirement Contribution Reserve	811,852	452,212	414,475	849,889
Employee Benefit Accrued Liability	1,323,232	341,882	245,952	1,419,162
Career Educational Instructional Equipment Reserve	284,429	119,029		403,458
	<u>\$ 2,546,386</u>	<u>\$ 1,331,038</u>	<u>\$ 727,075</u>	<u>\$ 3,150,649</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.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**11. CONTINGENCIES AND COMMITMENTS (Continued)**

***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, 2018, 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	\$ 15,859
Occupational Instruction	109,704
Instruction for Special Needs	51,537
Itinerant Services	44,043
Instructional Support	123,817
Other Services	<u>30,056</u>
Total Encumbrances	<u>\$ 375,016</u>

**12. NET POSITION (DEFICIT)**

***Net Position (Deficit) – BOCES-Wide***

The BOCES-wide net position had a deficit at June 30, 2018 of \$32,618,940. The deficit is the result of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the recognition of an unfunded liability of \$53,408,135 at June 30, 2018. Since New York State Law provides no mechanism for funding the liability, any subsequent accruals are expected to increase the deficit.

**13. PRIOR PERIOD ADJUSTMENT - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE**

In the current year the BOCES recorded a cumulative effect of a change in accounting principle in the amount of \$39,199,481 in the government wide financial statements to increase the beginning net OPEB liability to implement GASB 75 which more accurately reflects the liability at June 30, 2017.



**OTSEGO NORTHERN CATSKILLS BOCES**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
<b>Revenues</b>					
Administration	\$ 3,283,150	\$ 3,282,550	\$ 2,823,632		\$ (458,918)
Administration - Capital	641,965	641,965	642,271		306
Occupational Instruction	5,527,866	5,753,321	5,748,225		(5,096)
Instruction for Special Needs	5,022,876	6,224,982	6,243,969		18,987
Itinerant Services	2,758,738	2,818,039	2,817,539		(500)
General Instruction	1,883,049	2,206,409	2,224,643		18,234
Instruction Support	2,264,244	3,227,887	3,222,104		(5,783)
Other Services and Internal Services	5,099,631	6,433,496	6,799,880		366,384
Total Revenues	<u>\$ 26,481,519</u>	<u>\$ 30,588,649</u>	<u>30,522,263</u>		<u>\$ (66,386)</u>
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual
<b>Expenditures</b>					
Administration	\$ 3,283,150	\$ 3,283,150	\$ 2,837,776	\$ 15,859	\$ 429,515
Administration - Capital	641,965	641,965	641,965		
Occupational Instruction	5,527,866	5,753,604	5,259,501	109,704	384,399
Instruction for Special Needs	5,022,876	6,224,985	5,230,783	51,537	942,665
Itinerant Services	2,758,738	2,818,041	2,335,222	44,043	438,776
General Instruction	1,883,049	2,206,408	1,857,612		348,796
Instruction Support	2,264,244	3,227,889	2,997,943	123,817	106,129
Other Services	5,099,631	6,432,607	5,546,426	30,056	856,125
Total Expenditures	<u>26,481,519</u>	<u>30,588,649</u>	<u>26,707,228</u>	<u>\$ 375,016</u>	<u>\$ 3,506,405</u>
<b>Other Financing Uses</b>					
Return of Surplus			2,971,463		
Total Expenditures and Other Financing Uses	<u>\$ 26,481,519</u>	<u>\$ 30,588,649</u>	<u>29,678,691</u>		
<b>Net Change in Fund Balances</b>			843,572		
<b>Fund Balances - Beginning of Year</b>			<u>2,682,093</u>		
<b>Fund Balances - End of Year</b>			<u>\$ 3,525,665</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 CATSKILL BOCES**  
**SCHEDULES OF CHANGES IN THE BOCES**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2018**

	<u>2018</u>
Service cost	\$ 1,349,056
Interest	1,914,363
Changes in assumptions or other inputs	(2,704,902)
Expected benefit payments	<u>(1,248,413)</u>
Net change in total OPEB liability	(689,896)
 Total OPEB liability - beginning of year	 <u>54,098,031</u>
 Total OPEB liability - ending of year	 <u><u>\$ 53,408,135</u></u>
  Covered employee payroll	  <u><u>\$ 9,257,316</u></u>
 Total OPEB liability as a percentage of covered payroll	 <u><u>576.93%</u></u>

Notes to Required Supplementary Information:

Changes of Assumptions: Changes include assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit charges (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

Actuarial Assumptions: The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 5 to the financial statements

Plan Assets: No assets are accumulated in a trust that meets all of the following criteria of GASB No. 75, paragraph 4, to pay benefits.

Information is presented only for the years available.

**OTSEGO NORTHERN CATSKILLS BOCES**  
**SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS**  
**For the Year Ended June 30, 2018**

	ERS Pension Plan Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 424,946	\$ 405,926	\$ 396,783	\$ 574,784	\$ 437,898	\$ 510,603	\$ 465,904	\$ 332,024	\$ 197,558	\$ 238,742
Contributions in Relation to the Contractually Required Contribution	424,946	405,926	396,783	574,784	437,898	510,603	465,904	332,024	197,558	238,742
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
BOCES' Covered-ERS Employee Payroll	\$ 2,932,593	\$ 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
Contributions as a Percentage of Covered-Employee Payroll	14.49%	15.05%	15.70%	21.83%	16.04%	18.13%	16.00%	10.88%	6.63%	8.25%

	TRS Pension Plan Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 639,751	\$ 806,444	\$ 908,347	\$ 1,125,914	\$ 801,653	\$ 772,210	\$ 784,067	\$ 577,980	\$ 713,808	\$ 784,865
Contributions in Relation to the Contractually Required Contribution	639,751	806,444	908,347	1,125,914	801,653	772,210	784,067	577,980	713,808	784,865
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
BOCES' Covered-TRS Employee Payroll	\$ 6,528,071	\$ 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
Contributions as a Percentage of Covered-Employee Payroll	9.80%	11.72%	13.26%	17.38%	12.42%	11.55%	11.54%	7.62%	8.57%	9.43%

**OTSEGO NORTHERN CATSKILLS BOCES**  
**SCHEDULE OF THE BOCES'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Year Ended June 30, 2018**

<b>ERS Pension Plan</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
BOCES' proportion of the net pension liability	0.010989%	0.010976%	0.011240%	0.001178%	0.001178%
BOCES' proportionate share of the net pension liability	\$ 354,656	\$ 1,031,305	\$ 1,804,060	\$ 397,987	\$ 532,362
BOCES' covered-employee payroll	\$ 2,932,593	\$ 2,696,613	\$ 2,527,264	\$ 2,632,414	\$ 2,729,765
BOCES' proportionate share of the net pension liability as a percentage of its covered-employee payroll	12%	38%	71.38%	15.12%	19.50%
Plan fiduciary net position as a percentage of total pension liability	98.24%	94.70%	90.7%	97.9%	97.2%
<b>TRS Pension Plan</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
BOCES' Proportion of the net pension asset/liability	0.041221%	0.042228%	0.042215%	0.042914%	0.044109%
BOCES' proportionate share of the net pension (asset) liability	\$ (313,319)	\$ 452,283	\$ (4,384,828)	\$ (4,780,395)	\$ (290,346)
BOCES' covered-employee payroll	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839	\$ 6,683,110
BOCES' proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	-4.55%	6.60%	67.69%	74.05%	4.34%
Plan fiduciary net position as a percentage of total pension liability	100.66%	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, 2018**

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Credit Balance, Beginning of Year	\$ (1,879,514)
Debits	
Billings	27,461,111
Refund Balances Due School Districts - June 30, 2017	2,451,708
Encumbrances - June 30, 2018	<u>375,016</u>
Total Debits	<u>30,287,835</u>
Subtotal	<u>28,408,321</u>
Credits	
Collections	(27,694,443)
Refund Balances Due School Districts - June 30, 2018	(2,971,459)
Encumbrances - June 30, 2017	<u>(135,707)</u>
Total Credits	<u>(30,801,609)</u>
Balance, End of Year	\$ <u>(2,393,288)</u>
<u>Summary:</u>	
A380 Accounts Receivable Components	\$ 578,175
A431 School District Accounts	<u>(2,971,463)</u>
Balance, End of Year	\$ <u>(2,393,288)</u>

See Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2018

	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Fund Balance June 30, 2017	Methods of Financing		Fund Balance June 30, 2018
			Prior Years	Current Year			Proceeds of Obligations	State and Local Sources	
Installment Purchase Agreements	\$ 175,804	\$ 175,804		\$ 175,804	\$ 175,804	\$	\$ 175,804	\$	\$ 175,804
Site Work/Paving/Door NCOC	503,568	503,568	370,106	133,462	503,568	133,462			
Mechatronics	717,357	717,357		21,781	21,781	808,725		805,905	1,592,849
Generator Project - OAOC	472,500	472,500		36,341	36,341	430,370		42,130	436,159
Totals	\$ 1,869,229	\$ 1,869,229	\$ 370,106	\$ 367,388	\$ 737,494	\$ 1,372,557	\$ 175,804	\$ 848,035	\$ 2,029,008

**OTSEGO NORTHERN CATSKILLS BOCES**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**For the Year Ended June 30, 2018**

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Capital Assets, Net	\$ 16,807,053
Add:	
Fund Balance Capital	2,029,008
Deduct:	
Long-Term Debt Payable	<u>(939,947)</u>
Net Investment in Capital Assets	<u>\$ 17,896,114</u>

See Independent Auditor's Report.