

S T. LAWRENCE-LEWIS
COUNTIES BOCES

FINANCIAL STATEMENTS

June 30, 2017

Table of Contents

ST. LAWRENCE-LEWIS COUNTIES BOCES

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
AUDITED BASIC FINANCIAL STATEMENTS	21
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES	21
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES	22
BALANCE SHEET – GOVERNMENTAL FUNDS	23
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	25
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES	26
STATEMENT OF FIDUCIARY NET POSITION	27
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	28
REQUIRED SUPPLEMENTARY INFORMATION	70
SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS PLAN	70
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND	71
SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN	73
SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN	74
SUPPLEMENTARY INFORMATION	75
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND	75
ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS	76
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING SOURCES	77
NET INVESTMENT IN CAPITAL ASSETS	78
INDEPENDENT AUDITORS' 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	79

INDEPENDENT AUDITORS' REPORT

BOARD OF EDUCATION ST LAWRENCE-LEWIS COUNTIES BOCES

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Lawrence-Lewis Counties BOCES as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-20), Schedule of Funding Progress – Other Postemployment Benefits Plan (page 70), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – General Fund (page 71-72), Schedule of the BOCES' Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 73), and Schedule of the BOCES' Contributions – NYSLRS Pension Plan (page 74) 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.

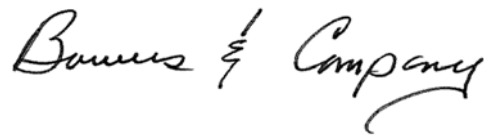
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Lawrence-Lewis Counties BOCES' basic financial statements. The Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Project Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 75-78) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Project Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 75-78) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Project Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 75-78) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the St. Lawrence-Lewis Counties 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 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 St. Lawrence-Lewis Counties BOCES' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main text block.

Watertown, New York
October 11, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES) financial performance for the fiscal year ended June 30, 2017. This section is a summary of the BOCES’ financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES’ financial statements, which immediately follow this section.

ORGANIZATIONAL PURPOSE AND DETAILED MISSION

The BOCES is formed, pursuant to New York State Education Law, by two or more school districts and a supervisory district for the purpose of providing various educational services on a cooperative or shared basis which services would either be economically unfeasible or duplicative for each school district to provide for itself. The State Legislature created Boards of Cooperative Educational Services in 1948 to operate as an extension of the public school system.

This BOCES is a cooperative association of eighteen school districts, encompassing a land area of over 2,500 square miles in Upstate New York with administration offices located in the Village of Canton.

Member school districts participate in specific programs and services on a cost-sharing basis. In addition, they are eligible for state aid for all services they contract. The services that BOCES offers cover a wide spectrum of public education:

- Consolidated educational services and shared personnel, such as occupational and physical therapists;
- Specialized curriculum, including career and technical education courses, and curriculum development;
- Administrative support personnel;
- Technological support, such as the distance learning network, which uses fiber-optic cables to electronically connect school districts for audiovisual communication;
- Regional planning and coordination, which includes services such as the School Library System (an automated, computerized interlibrary loan system), and other programs and events, including Odyssey of the Mind and grant writing coordination;
- Community resource services, such as programs for mentally and physically handicapped students, career education, and adult GED and job skill courses.

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

ORGANIZATIONAL PURPOSE AND DETAILED MISSION -

Continued

One of the unique aspects of the BOCES operation is the high degree of client representation in planning and decision-making. This involvement assures that new services are developed to meet the specific needs of the component schools while maintaining efficiency and allow school districts to utilize state BOCES aid.

The component school districts that comprise the BOCES are as follows:

Brasher Falls	Hammond	Massena
Canton	Harrisville	Morristown
Clifton-Fine	Hermon-DeKalb	Norwood-Norfolk
Colton-Pierrepont	Heuvelton	Ogdensburg
Edwards-Knox	Lisbon	Parishville-Hopkinton
Gouverneur	Madrid-Waddington	Potsdam

FINANCIAL HIGHLIGHTS

The BOCES’ total net position of governmental activities decreased over \$12.05 million, which represents a 16.8% decrease from fiscal year 2016. The majority of this decrease can be attributed to the increase in the postemployment benefit obligation at year-end.

Overall revenues of \$70,838,849 exceeded expenditures of \$66,436,920 by \$4,401,929 in the governmental funds.

A total of \$198,806 was expended in the Capital Fund in 2016-2017. These expenditures were for a project approved by SED for renovation work at Southwest Technical Center. A second capital project at Southwest Tech for sanitary improvements will begin in the 2017-18 year. The unassigned fund balance in the Capital Fund represents transfers made from General Fund appropriations and will be used to pay for these projects.

The fund balance of the BOCES has decreased slightly to \$3,768,773 in 2017 from \$3,550,528 in 2016.

Among major funds, the General Fund had \$65.9 million in revenues and \$61.8 million in expenditures in fiscal year 2017, inclusive of transfers to other funds. The General Fund does not retain operating surplus and any excess monies are refunded in the subsequent fiscal year to the component school districts. The amount to be refunded for fiscal year 2017 is \$4,134,499, which is an increase of \$330,002 from fiscal year 2017.

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

FINANCIAL HIGHLIGHTS - Continued

In 2016-17, the BOCES started a new agricultural program in collaboration with Cornell Cooperative Extension of St. Lawrence County. State grants-in-aid are being used to cover a portion of the start-up costs for this program.

In 2017-18, the BOCES will begin the Education Careers Academy. This new full day academic program is being offered in collaboration with the State University of New York at Potsdam.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the audited basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the BOCES.

The first two statements are *BOCES-wide* financial statements that provide both short-term and long-term information about the BOCES’ overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES’ operations in *more detail* than the BOCES-wide statements. The fund financial statements concentrate on the BOCES’ most significant funds with all other non-major funds listed in total in one column. The BOCES did not have any non-major funds in the current fiscal year.

The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others.

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

Figure A-1 summarizes the major features of the BOCES’ financial statements, including the portion of the BOCES activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
➔	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

BOCES-Wide Statements

The BOCES-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the BOCES’ assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS - Continued

BOCES-Wide Statements - Continued

The two BOCES-wide statements report the BOCES’ net position and how they have changed. Net position – the difference between the BOCES’ assets and deferred outflows of resources and the BOCES’ liabilities and deferred inflows of resources – is one way to measure the BOCES’ financial health or position.

Over time, increases or decreases in the BOCES’ net position is an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the BOCES’ overall health, additional non-financial factors such as changes in the BOCES component districts’ finances and the condition of school buildings and other facilities, need to be considered.

In the BOCES-wide financial statements, the BOCES’ activities are shown as *Governmental Activities*. Most of the BOCES’ basic services are included here, such as occupational and special education, instructional support and administration. Billings to component districts and state formula aid 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 “major” funds – not the BOCES’ as a whole. Funds are accounting devices the BOCES’ uses to keep track of specific sources of funding and spending on particular programs:

Some 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Fund Financial Statements

The BOCES has two kinds of funds:

Governmental Funds: Most of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the BOCES, liabilities and deferred inflows exceeded assets and deferred outflows by \$83.8 million at the close of the most recent fiscal year. This deficit is due to the OPEB liability which increased \$11.7 million to \$110.4 million at year-end. Please note that there was an adjustment to beginning of year net position for the restatement of GASB 68 deferred outflows of resources – specifically for contributions subsequent to the measurement date. Please refer to Note 17 for more information.

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

The following table presents a condensed statement of net position for the fiscal year ended June 30, 2017 and June 30, 2016, respectively:

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016 (Restated)	% Change
ASSETS			
Current Assets	\$ 28,078,554	\$ 27,498,813	2.11%
Capital Assets, Net	27,873,905	29,293,312	-4.85%
Net Pension Asset - Proportionate Share	-	12,534,884	-100.00%
TOTAL ASSETS	\$ 55,952,459	\$ 69,327,009	-19.29%
DEFERRED OUTFLOWS OF RESOURCES			
Defeasance Loss	\$ 487,692	\$ 541,880	-10.00%
Pensions	14,440,840	6,765,556	113.45%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 14,928,532	\$ 7,307,436	104.29%
LIABILITIES			
Current Liabilities	\$ 25,785,442	\$ 25,395,807	1.53%
Long-Term Debt Outstanding	123,879,217	113,446,317	9.20%
Net Pension Liability - Proportionate Share	4,038,271	4,590,291	-12.03%
TOTAL LIABILITIES	\$ 153,702,930	\$ 143,432,415	7.16%
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 966,278	\$ 4,939,223	-80.44%
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 966,278	\$ 4,939,223	-80.44%
NET POSITION			
Net Investment in Capital Assets	15,061,121	15,332,384	-1.77%
Reserved Funds	3,155,679	3,215,007	-1.85%
Unrestricted (Deficit)	(102,005,017)	(90,284,584)	12.98%
TOTAL NET POSITION	\$ (83,788,217)	\$ (71,737,193)	16.80%

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

By far, the largest portion of the BOCES’ net position reflects its investment in capital assets (e.g., land and site improvements, buildings and fixtures, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The BOCES uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the BOCES’ investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The BOCES’ financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, actuary post-retirement health insurance valuation, and the depreciation of capital assets.

Changes in Net Position from Operating Results

The BOCES’ total revenues for the fiscal year ended June 30, 2017 and June 30, 2016, were \$70.8 million and \$68.1 million, respectively. The total cost of all programs and services was \$78.7 million for the year ended June 30, 2017 and \$71.0 million for the year ended June 30, 2016. The following table presents a summary of the changes in net position from operating results for the fiscal years ended June 30, 2017 and June 30, 2016, respectively:

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

Changes in Net Position from Operating Results - Continued

	June 30, 2017	June 30, 2016 (Restated)	% Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 64,479,874	60,699,668	6.23%
Operating Grants	4,817,052	5,462,906	-11.82%
General Revenues			
Sale of Property & Compensation for Loss	235,425	223,836	5.18%
Investment Income	58,545	5,661	934.18%
Miscellaneous	1,227,080	1,669,861	-26.52%
Total Revenues	\$ 70,817,976	\$ 68,061,932	4.05%
Expenses:			
Instruction for Handicapped	\$ 28,283,867	\$ 26,138,463	8.21%
General & Occupational Instruction	16,725,012	15,117,697	10.63%
Itinerant Services	5,068,833	4,972,367	1.94%
Other Services	11,225,970	9,877,139	13.66%
Instruction Support Services	11,154,002	8,950,203	24.62%
Support Services - Administrative	6,227,632	5,947,131	4.72%
Total Expenses	\$ 78,685,316	\$ 71,003,000	10.82%
Change in Net Position	\$ (7,867,340)	\$ (2,941,068)	167.50%

Revenue in the operating grants category experienced the largest decrease from 2016 to 2017. A majority of this decrease can be attributed to a reduction in prior years refunds from the Federal e-rate program. Investment income saw an increase as interest rates continue to improve.

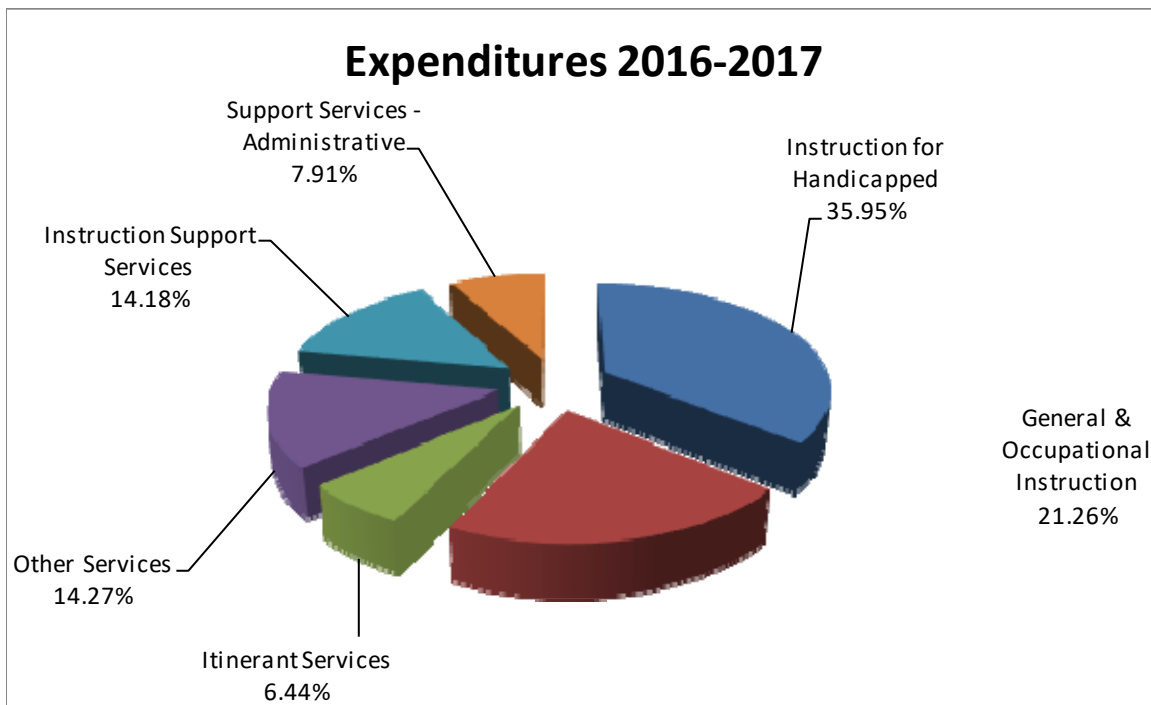
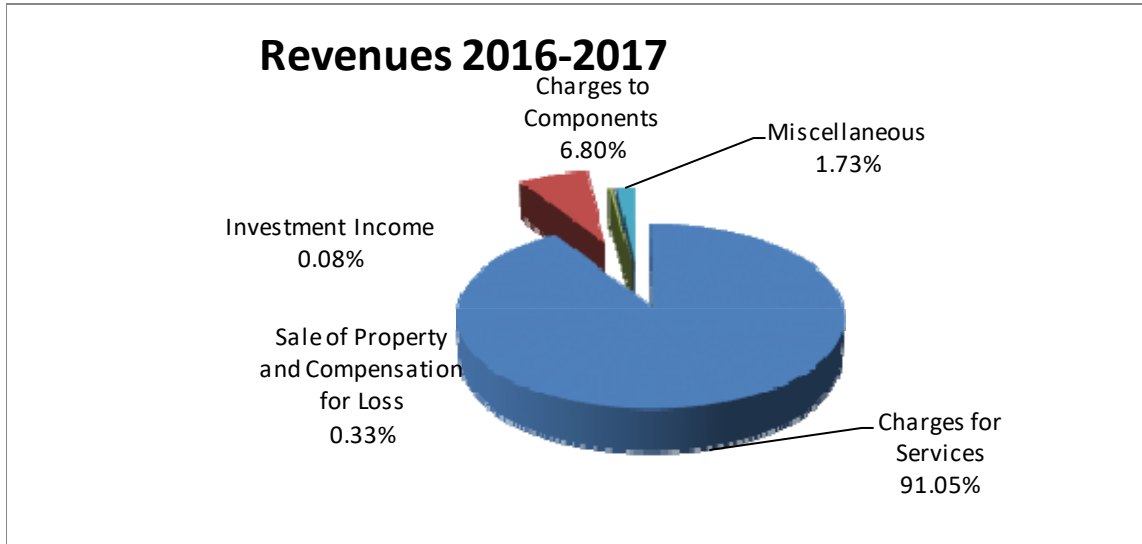
Expenditures increased overall from 2016 to 2017. The rising cost for health insurance coupled with an increase in district requests for services attributed to this increase. Instructional support services experienced the largest increase in expenditures from 2016 to 2017. District requests for professional development continues to increase as instructional standards change.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued



ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

BUDGETARY HIGHLIGHTS

Over the course of the year, the BOCES revised the annual revenue budget for student and program growth. In order to revise budgets, School Districts request the change in writing to the BOCES. The difference between the original budget and the final amended budget was 7.2 percent. The \$4.4 million increase can be briefly summarized as follows:

	Original Budget	Final Budget	Increase (Decrease)
Administration	\$ 8,039,946	\$ 8,132,230	\$ 92,284
Occupational Instruction	9,329,486	9,475,752	146,266
Instruction for Special Education	22,020,039	22,589,301	569,262
Itinerant Services	4,219,993	4,213,868	(6,125)
General Instruction	2,087,308	2,386,538	299,230
Instructional Support	6,865,367	8,841,145	1,975,778
Other Services	8,923,091	10,272,659	1,349,568
Total	\$ 61,485,230	\$ 65,911,493	\$ 4,426,263

Instructional Support saw the largest budget increase. This can be attributed to increased requests for professional development and technology relating to the new Annual Professional Performance Review (APPR) requirements and implementation of Common Core standards. Other Services increased due to districts requests for more technology to implement many of the new instructional standards.

The table below shows how the actual expenditures compare to budget amounts:

	Final Budget	Actual Expenditures & Transfers	Variance
Administration	\$ 8,132,228	\$ 7,476,650	\$ 655,578
Occupational Instruction	9,475,752	9,409,271	66,481
Instruction for Special Education	22,589,301	20,109,925	2,479,376
Itinerant Services	4,213,868	3,949,625	264,243
General Instruction	2,386,538	2,341,423	45,115
Instructional Support	8,841,147	8,632,756	208,391
Other Services	10,272,659	9,857,344	415,315
Total	\$ 65,911,493	\$ 61,776,994	\$ 4,134,499

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

BUDGETARY HIGHLIGHTS - Continued

There were budget variances in several categories in 2016-2017. Special Education saw the largest variance with a positive amount of \$2,479,376 under budget. Increases in district requests for services helped contribute to this variance. Other Services had the next largest variance. A majority of this variance can be attributed to increases in district requests and increased technology orders.

ANALYSIS OF THE BOCES' FUNDS

General Fund

The General Fund had total expenditures (including transfers) of \$61.8 million and total revenues of \$65.9 million. The General Fund does not retain surplus and any excess monies are refunded in the subsequent fiscal year to the component school districts. The amount to be refunded from the 2016-17 budgets increased \$330,002 from fiscal year 2016 to \$4,134,499. A majority of this increase is attributable to the Special Education programs. The tuition rates are set by the program at the beginning of the year while the enrollments may fluctuate. In 2016-17, the enrollments increased and the BOCES was able to serve these students without hiring new staff.

The major portion of the General Fund expenditures goes directly to the Instruction for Special Education programs- \$20,109,925 (32.84%). Other major categories in the General Fund are General and Occupational Instruction - \$11,750,694 (19.19%), Other Services - \$9,857,342 (16.1%) and Instructional Support - \$8,632,757 (14.1%).

Charges to component districts comprise the largest portion of revenues in the General Fund. From 2016 to 2017, there was an increase of \$3,813,098, or 6.36% in this category. The General Fund saw a decrease in miscellaneous revenue from 2016 to 2017. This can be attributed to decreases in funding through the E-rate program.

The fund balance of the BOCES increased slightly in 2017. The majority of this increase was in the Capital Fund where capital outlay was transferred in from the General Fund. These funds are anticipated to be expended in 2017-2018 for two capital projects at Southwest Tech.

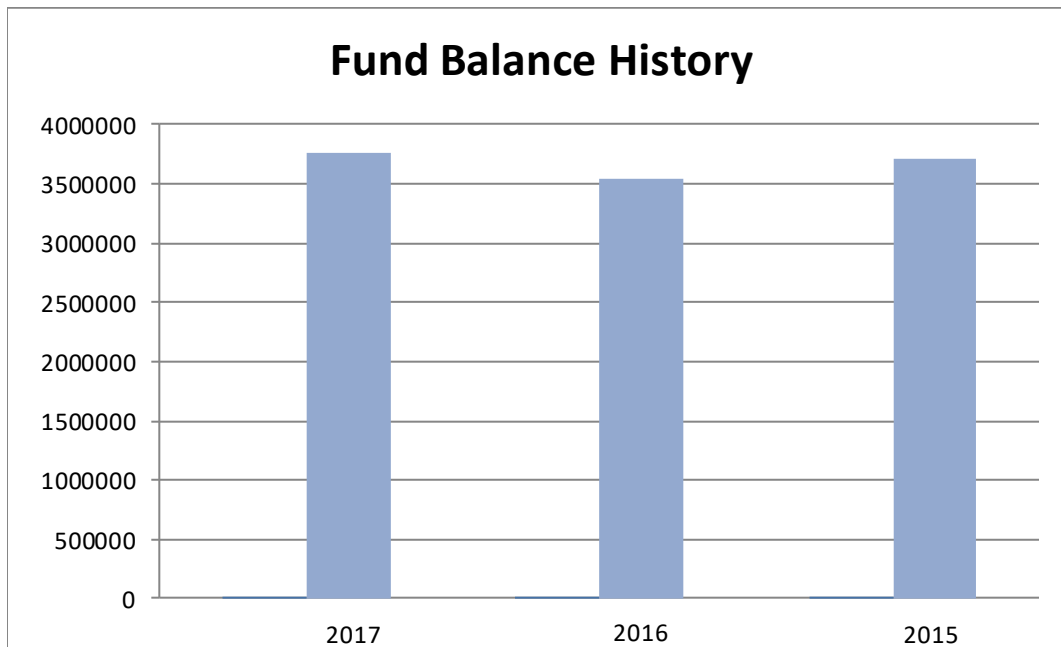
MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

ANALYSIS OF THE BOCES’ FUNDS - Continued

General Fund - Continued

Following is a chart showing the fund balance at year-end for the last three years:



Special Aid Fund

There was an increase in revenues from state and federal sources. The BOCES secured grant funding for McKinney-Vento and Agricultural Studies in 2017. Revenue from local sources decreased in the Special Aid Fund as programs for preschool special education students were transferred to the component districts

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

ANALYSIS OF THE BOCES’ FUNDS - Continued

Special Aid Fund - Continued

The table below shows the revenues and expenditures recorded in the Special Aid Fund for the fiscal years ended June 30, 2017 and 2016.

	2017	2016
Revenues:		
Charges for Services	\$ 358,628	423,875
Sale of Property & Compensation for Loss	7,770	11,477
Miscellaneous	2,581,249	3,850,206
State Sources	1,323,535	1,051,358
Federal Sources	652,046	481,986
Total Revenues	\$ 4,923,228	\$ 5,818,902
Expenses:		
Occupational Instruction	\$ 875,114	\$ 774,314
Instruction for Special Education	2,766,035	3,605,262
General Instruction	521,460	579,254
Instructional Support	721,806	478,913
Other Services	126,705	74,327
Total Expenses	\$ 5,011,120	\$ 5,512,070

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the BOCES had invested \$27.9 million in capital assets, including school buildings, site improvements, fixtures, vehicles, and office, computer and shop equipment.

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Continued

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2017.

	Balance		Retirements/		Balance
	6/30/2016	Additions	Reclassifications		6/30/2017
Land	\$ 576,295	\$ -	\$ -		\$ 576,295
Construction-in-Progress	-	198,806	-		198,806
Site Improvements	1,512,295	20,941	-		1,533,236
Buildings	30,836,815	-	-		30,836,815
Furniture and Equipment	7,534,102	303,590	(85,137)		7,752,555
Capital Leases	3,383,488	446,519	(507,195)		3,322,812
Less: Accumulated Depreciation	<u>(14,549,683)</u>	<u>(2,326,777)</u>	<u>529,846</u>		<u>(16,346,614)</u>
Total	\$ 29,293,312	\$ (1,356,921)	\$ (62,486)		\$ 27,873,905

Long-Term Debt

At year-end, the BOCES had \$129,400,745 in Municipal Leases and other long-term debt outstanding, of which \$1,483,257 is due within one year.

The following table presents a summary of the BOCES’ outstanding long-term debt for the fiscal year ended June 30, 2017:

	Balance		Issues/		Balance
	6/30/2016	Increases	Reductions		6/30/2017
NYS Dormitory Authority	\$ 12,705,000	\$ -	\$ (935,000)		\$ 11,770,000
Municipal Lease	412,710	-	(131,651)		281,059
Installment Purchases	1,095,337	252,854	(364,739)		983,452
Compensated Absences	1,677,780	-	(45,451)		1,632,329
Premium on Bonds	289,761	-	(23,796)		265,965
Other Postemployment Benefits Payable	98,719,788	11,709,881	-		110,429,669
Net Pension Liability - Proportionate Share	<u>4,590,291</u>	<u>-</u>	<u>(552,020)</u>		<u>4,038,271</u>
Total	\$ 119,490,667	\$ 11,962,735	\$ (2,052,657)		\$ 129,400,745

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Long-term Debt - Continued

The BOCES carries a Moody's rating of "Aa3" currently, as a new general obligation debt exists.

State statutes currently limit the amount of general obligation debt a BOCES may issue to a maximum of the unencumbered constitutional debt limits remaining among the component districts. The current debt limitation for the BOCES is substantially more than the BOCES outstanding general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Student enrollment in the component districts has been decreasing at a rate of 1 % to 1 ½ % per year. This continuous decline in enrollment could negatively impact the enrollment in the BOCES programs over time.

The BOCES is planning for a future capital project. It is anticipated that this project will involve renovations and additions at all three technical centers. Financing for this project will go through the Dormitory Authority.

The BOCES will be undergoing a capital project at Southwest Technical Center to provide upgrades for a Sanitary Effluent Disinfection System. It is anticipated that this work will be completed in the 2017-2018 year.

Increases in health insurance premiums for the BOCES will continue to rise. The BOCES is a member of a health care consortium with the component school districts. It is anticipated that annual increases of 6-8% will continue.

Health insurance coverage for the administrators and exempt personnel will move from Rider 9 to Rider 10. This new rider is projected to save the district 1-2% in health insurance premiums per year for this group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET - Continued

A new unit of support staff personnel was formed in 2015-2016. The BOCES is currently in negotiations with this unit to create a labor agreement. Future wage and benefit costs are unknown at this time for this group.

The uncertainty of federal and state funding can have a profound impact on the financial health of the component districts. There is the possibility that component districts will need to cut BOCES services in the future in order to balance their budgets.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the resources it receives. If you have questions about this report or need additional information, contact:

Director of Financial Affairs
St. Lawrence-Lewis Board of Cooperative Educational Services
PO Box 231
40 West Main Street
Canton, New York 13617

ST. LAWRENCE-LEWIS COUNTIES BOCES

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2017

ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$	11,393,285
Restricted		2,860,008
Investments		
Restricted		1,458,099
Receivables		
State and Federal Aid		10,092,140
E-rate Receivable		435,679
Due from Other Governments		189,118
Due from Fiduciary Funds		111
Other Receivables		1,618,560
Prepaid Expenditures		31,554
Capital Assets, Net		27,873,905
TOTAL ASSETS	\$	55,952,459
DEFERRED OUTFLOWS OF RESOURCES		
Defeasance Loss	\$	487,692
Pensions		14,440,840
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	14,928,532
LIABILITIES		
Payables		
Accounts Payable	\$	1,155,619
Accrued Liabilities		125,373
Due to Other Governments		69,479
Due to Teachers' Retirement System		2,457,780
Due to Employees' Retirement System		320,702
Due to School Districts		13,518,363
Bond Interest and Principal Payable, Net of Prepaid Interest		1,154,832
Notes Payable		
Revenue Anticipation		5,500,000
Unearned Credits		
Overpayments and Collections in Advance		37
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premiums		1,126,280
Installment Purchase Debt Payable		356,977
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premiums		11,190,744
Installment Purchase Debt Payable		626,475
Compensated Absences Payable		1,632,329
Other Postemployment Benefits Payable		110,429,669
Net Pension Liability - Proportionate Share		4,038,271
TOTAL LIABILITIES	\$	153,702,930
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$	966,278
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	966,278
NET POSITION		
Net Investment in Capital Assets	\$	15,061,121
Restricted		
Debt Service		295,671
Other Legal Restrictions		2,860,008
Unrestricted (Deficit)		(102,005,017)
TOTAL NET POSITION	\$	(83,788,217)

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
Administration	\$ 6,227,632	\$ 7,818,945	\$ -	\$ 1,591,313
Occupational Instruction	12,926,705	9,262,243	892,205	(2,772,257)
Instruction for Special Education	28,283,867	22,525,241	2,541,262	(3,217,364)
Itinerant Services	5,068,833	4,210,994	-	(857,839)
General Instruction	3,798,307	1,763,586	621,311	(1,413,410)
Instructional Support	11,154,002	8,754,023	635,569	(1,764,410)
Other Services	11,225,970	10,144,842	126,705	(954,423)
Total Functions and Programs	<u>\$ 78,685,316</u>	<u>\$ 64,479,874</u>	<u>\$ 4,817,052</u>	<u>(9,388,390)</u>
GENERAL REVENUES				
Use of Money and Property				58,545
Sale of Property and Compensation for Loss				235,425
Miscellaneous				<u>1,227,080</u>
Total General Revenues				<u>1,521,050</u>
Other Changes in Net Position				<u>(4,183,684)</u>
Change in Net Position				<u>(12,051,024)</u>
Net Position - Beginning of Year, as Restated				<u>(71,737,193)</u>
Net Position - End of Year				<u>\$ (83,788,217)</u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 10,945,736	\$ 104,382	\$ 343,167	\$ 11,393,285
Restricted	2,549,446	-	310,562	2,860,008
Investments				
Restricted	1,162,428	-	295,671	1,458,099
Receivables				
State and Federal Aid Receivable	9,383,864	708,276	-	10,092,140
E-Rate Receivable	435,679	-	-	435,679
Due from Other Governments	-	189,118	-	189,118
Due from Other Funds	1,031,187	-	542,825	1,574,012
Due from Fiduciary Funds	111	-	-	111
Other	1,609,567	8,993	-	1,618,560
Prepaid Expenditures	31,554	-	-	31,554
TOTAL ASSETS	<u><u>\$ 27,149,572</u></u>	<u><u>\$ 1,010,769</u></u>	<u><u>\$ 1,492,225</u></u>	<u><u>\$ 29,652,566</u></u>
LIABILITIES				
Payables				
Accounts Payable	\$ 978,357	\$ 9,635	\$ 167,627	\$ 1,155,619
Accrued Liabilities	101,136	24,237	-	125,373
Due to Other Governments	4,264	65,215	-	69,479
Due to Other Funds	542,825	1,007,181	24,006	1,574,012
Due to Teachers' Retirement System	2,457,780	-	-	2,457,780
Due to Employees' Retirement System	320,702	-	-	320,702
Due to School Districts	13,518,363	-	-	13,518,363
Bond Interest and Principal Payable	1,162,428	-	-	1,162,428
Note Payable				
Revenue Anticipation	5,500,000	-	-	5,500,000
Unearned Credits				
Overpayments and Collections in Advance	-	37	-	37
Total Liabilities	<u>24,585,855</u>	<u>1,106,305</u>	<u>191,633</u>	<u>25,883,793</u>
FUND BALANCES				
Nonspendable	14,271	-	-	14,271
Restricted	2,549,446	-	606,233	3,155,679
Assigned	-	-	694,359	694,359
Unassigned (Deficit)	-	(95,536)	-	(95,536)
Total Fund Balances (Deficits)	<u>2,563,717</u>	<u>(95,536)</u>	<u>1,300,592</u>	<u>3,768,773</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 27,149,572</u></u>	<u><u>\$ 1,010,769</u></u>	<u><u>\$ 1,492,225</u></u>	<u><u>\$ 29,652,566</u></u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2017

Total Fund Balance - Governmental Funds	\$	3,768,773
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Net Pension Liability - Proportionate Share - TRS		(1,298,787)
Net Pension Liability - Proportionate Share - ERS		(2,739,484)
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements - Pensions		(966,278)
<p>Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consists of:</p>		
Pensions	\$ 14,440,840	
Defeasance Loss	<u>487,692</u>	14,928,532
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:</p>		
The Cost of Capital Assets is	\$ 44,220,519	
Accumulated Depreciation is	<u>(16,346,614)</u>	27,873,905
Unamortized premiums on bond issuances are not recognized in the governmental funds.		(265,965)
<p>Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the fund statements. Long-term liabilities, at year end, consist of:</p>		
Bonds Payable	\$ 12,051,059	
(Prepaid) Interest on Bonds Payable	(7,596)	
Installment Purchase Debt Payable	983,452	
Compensated Absences Payable	1,632,329	
Other Postemployment Benefits Payable	<u>110,429,669</u>	<u>(125,088,913)</u>
Total Net Position - Governmental Activities	\$	<u>(83,788,217)</u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	General	Special Aid	Capital Projects	Total Governmental Funds
REVENUES				
Charges for Services	\$ 50,891	\$ 358,628	\$ -	\$ 409,519
Charges to Components	63,733,570	-	-	63,733,570
Charges to Other BOCES	695,413	-	-	695,413
Use of Money and Property	54,417	-	4,128	58,545
Sale of Property and Compensation for Loss	227,655	7,770	-	235,425
Miscellaneous	1,119,547	2,581,249	-	3,700,796
State Sources	30,000	1,323,535	-	1,353,535
Federal Sources	-	652,046	-	652,046
Total Revenues	<u>65,911,493</u>	<u>4,923,228</u>	<u>4,128</u>	<u>70,838,849</u>
EXPENDITURES				
Administration	6,926,651	-	-	6,926,651
Occupational Instruction	9,409,271	875,114	-	10,284,385
Instruction for Special Education	20,109,925	2,766,035	-	22,875,960
Itinerant Services	3,949,625	-	-	3,949,625
General Instruction	2,341,423	521,460	-	2,862,883
Instructional Support	8,632,757	721,806	-	9,354,563
Other Services	9,857,342	126,705	-	9,984,047
Capital Outlay	-	-	198,806	198,806
Total Expenditures	<u>61,226,994</u>	<u>5,011,120</u>	<u>198,806</u>	<u>66,436,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,684,499</u>	<u>(87,892)</u>	<u>(194,678)</u>	<u>4,401,929</u>
OTHER FINANCING SOURCES AND (USES)				
Operating Transfers In	-	-	550,000	550,000
Operating Transfers (Out)	(550,000)	-	-	(550,000)
Total Other Financing Sources (Uses)	<u>(550,000)</u>	<u>-</u>	<u>550,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	4,134,499	(87,892)	355,322	4,401,929
OTHER CHANGES IN FUND BALANCES				
Refund of Surplus Unpaid	(4,134,499)	-	-	(4,134,499)
Employee Benefit Accrued Liability	(30,271)	-	-	(30,271)
Reserve for Unemployment Insurance	(18,914)	-	-	(18,914)
Plus - Encumbrance, Ending	-	-	-	-
Less - Encumbrances, Beginning	-	-	-	-
Total Other Changes in Fund Balances	<u>(4,183,684)</u>	<u>-</u>	<u>-</u>	<u>(4,183,684)</u>
Net Change in Fund Balances	(49,185)	(87,892)	355,322	218,245
Fund Balances (Deficit) - Beginning of Year	2,612,902	(7,644)	945,270	3,550,528
Fund Balances (Deficit) - End of Year	<u>\$ 2,563,717</u>	<u>\$ (95,536)</u>	<u>\$ 1,300,592</u>	<u>\$ 3,768,773</u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF
ACTIVITIES**

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 218,245

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Net Position, assets with an individual cost of more than \$5,000 are capitalized and in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$	969,856	
Loss on Disposals		(62,486)	
Depreciation Expense		<u>(2,326,777)</u>	(1,419,407)

Repayment of bond principal and incurrence of new debt is recorded as an expenditure/receipt in the governmental funds, but not in the Statement of Activities. 1,178,536

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The following items resulted in increased interest expense being reported on the Statement of Activities:

Increase in Prepaid Interest	\$	1,059	
Amortization of Bond Premium and Defeasance Loss		<u>(30,392)</u>	(29,333)

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) and OPEB costs-- are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (11,664,430)

(Increases) decreases 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	\$	87,224	
Employees' Retirement System		<u>(421,859)</u>	<u>(334,635)</u>

Change in Net Position of Governmental Activities \$ (12,051,024)

ST. LAWRENCE-LEWIS COUNTIES BOCES

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

Agency

ASSETS

Cash and Cash Equivalents \$ 18,059,445

Total Assets \$ 18,059,445

LIABILITIES

Due to Governmental Funds \$ 111

Due to Others -Workers Comp/Medical Plans 18,059,361

Other Liabilities (27)

Total Liabilities \$ 18,059,445

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Lawrence-Lewis Counties BOCES (the “BOCES”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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. Significant accounting principles and policies used by the BOCES are described below:

Reporting Entity

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs that provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 18 school districts in New York’s St. Lawrence and Lewis Counties:

Brasher Falls CSD	Canton CSD
Clifton-Fine CSD	Colton-Pierrepont CSD
Edwards-Knox CSD	Gouverneur CSD
Hammond CSD	Harrisville CSD
Hermon-DeKalb CSD	Heuvelton CSD
Lisbon CSD	Madrid-Waddington CSD
Massena CSD	Morristown CSD
Norwood-Norfolk CSD	Ogdensburg City SD
Parishville-Hopkinton CSD	Potsdam CSD

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

The accompanying 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, no component units are included in the BOCES' reporting entity.

Basis of Presentation

BOCES-Wide Statements

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

The *Statement of Activities* presents a comparison between direct expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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, including all taxes, are presented as general revenues.

Funds 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

The BOCES reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

The BOCES reports the following fiduciary funds:

Fiduciary Funds: 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.

The BOCES only uses one class of fiduciary funds:

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 the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan and Medical Plan and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange 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 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 collectible within one year after the end of the fiscal year.

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

Restricted Resources

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

Interfund Transactions

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transactions - Continued

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

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.

Cash and Investments

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.

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

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

Investments are stated at amortized cost.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts 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.

Prepaid Items

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

The BOCES' reported prepaid items totaling \$31,554 in the General Fund, which represents two items. The first item is the BOCES' payments to vendors for incidental costs incurred on a capital project that had not yet received SED approval as of June 30, 2017. The second item being the BOCES' contributions to the School and Municipal Energy Cooperative of WNY ("SMEC"). Contributions made by member districts are recorded by SMEC as a current liability, and members are allocated a share of the organization's net assets based on each participant's share of premiums paid for that year.

Capital Assets

Capital assets are reported at actual cost or estimated historical costs based on an average of tax assessed value and insurance appraised values were used. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The BOCES does not possess any infrastructure.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

	Capitalization Threshold	Depreciation Model	Estimated Useful Life
Site Improvements	\$5,000	SL	10-20
Buildings	5,000	SL	15-50
Furniture & Equipment	5,000	SL	3-15
Capital Leases	5,000	SL	2-5

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The BOCES has one item that qualifies for reporting in this category. The item relates 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 periods between the BOCES' contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer 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. 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 is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

Plan Descriptions and Benefits Provided

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

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

At June 30, 2017, the BOCES' reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset (liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the BOCES.

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
BOCES' Proportionate Share of the Net Pension		
Asset (Liability)	\$ (2,739,484)	\$ (1,298,787)
BOCES' Portion (%) of the Plan's Total		
Net Pension Asset (Liability)	0.0291552%	0.121264%
Change in Proportion Since the Prior Measurement Date	0.0005558%	0.0005829%

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

For the year ended June 30, 2017, the BOCES' recognized pension expense of \$1,552,035 for ERS and \$2,139,254 for TRS. At June 30, 2017, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 68,649	\$ -	\$ 416,006	\$ 421,919
Changes of Assumptions	935,908	7,398,715	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	547,186	2,920,355	-	-
Changes in Proportion and Differences Between the BOCES' Contributions and Proportionate Share of Contributions	21,869	1,475	69,792	58,561
BOCES' Contributions Subsequent to the Measurement Date	320,702	2,225,981	-	-
Total	<u>\$ 1,894,314</u>	<u>\$ 12,546,526</u>	<u>\$ 485,798</u>	<u>\$ 480,480</u>

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

	ERS	TRS
2018	\$ 501,325	\$ 894,271
2019	501,325	894,271
2020	455,466	3,162,300
2021	(370,302)	2,456,650
2022	-	1,121,784
Thereafter	-	1,310,789

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
Actuarial Valuation Date	April 1, 2016	June 30, 2015
Interest Rate	7.0%	7.5%
Salary Scale	3.8%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

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

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
Asset Type		
Domestic Equity	4.55%	6.10%
International Equity	6.35%	7.30%
Private Equity	7.75%	
Real Estate	5.80%	5.40%
Absolute Return Strategies	4.00%	
Opportunistic Portfolio	5.89%	
Real Assets	5.54%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.50%	
Alternative Investments		9.20%
Domestic Fixed Income Securities		1.00%
Global Fixed Income Securities		0.80%
Short-Term		0.10%
Mortgages		3.10%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

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

The following presents the BOCES' proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the BOCES' proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (8,749,368)	\$ (2,739,484)	\$ 2,341,862
TRS	1% Decrease (6.50%)	Current Assumption (7.50%)	1% Increase (8.50%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (16,945,623)	\$ (1,298,787)	\$ 11,824,960

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		Total
	ERS	TRS	
Measurement Date	March 31, 2017	June 30, 2016	
Employer's Total Pension Asset (Liability) Plan Net Position	\$ (177,400,586) 168,004,363	\$ (108,577,184) 107,506,142	\$ (285,977,770) 275,510,505
Employer's Net Pension Asset (Liability)	\$ (9,396,223)	\$ (1,071,042)	\$ (10,467,265)
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	94.70%	99.01%	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$320,702. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$2,457,780.

Unearned Revenue

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

Vested Employee Benefits

Compensated Absences

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

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Vested Employee Benefits - Continued

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based 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 to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Short-Term Debt

The BOCES may issue Revenue Anticipation Notes (RAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Short-Term Debt - Continued

The BOCES may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The BOCES may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year in which they were issued.

Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications

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, constructions or improvements of those assets.

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

Unrestricted Net Position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the BOCES.

Funds Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes SMEC contributions of \$14,271 recorded in the General Fund.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Employee Benefit 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications - Continued

Retirement Contributions

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.

Unemployment Insurance

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.

Advanced Technical Equipment

The reserve is authorized by §1950(4)(ee) of the Education Law. The reserve is established by the Board and a vote of a majority of the Boards of the participating districts. The purpose of the reserve is to purchase advanced technology equipment to be used for instruction in state approved careers and technical education. All purchases are subject to approval by the Commission of Education. The maximum amount that may be retained in the reserve is equal to the greatest of 20% of the current career education services budget or \$500,000, provided the total amount shall not exceed \$2,000,000. Any amounts remaining in the reserve at time of liquidation shall be distributed to the participating districts within 90 days. This reserve is accounted for in the Capital Projects Fund.

Restricted fund balance includes the following:

General Fund	
Employee Benefit Accrued Liability	\$ 978,144
Retirement Contributions	682,317
Unemployment Insurance	888,985
Capital Fund	
Advanced Technical Equipment	310,562
Debt Reserve - DASNY	295,671
Total Restricted Funds	<u>\$3,155,679</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications – Continued

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

Assigned – Includes amounts that are constrained by the BOCES’ intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. There are no encumbrances reported in the General Fund at June 30, 2017.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

Order of Use of Fund Balance

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

New Accounting Standards

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the BOCES implemented the following new statements issued by GASB:

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 80, *Blending Requirements for Certain Components Units - an amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending June 30, 2017.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018 and thereafter.

GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending June 30, 2018.

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 85, *Omnibus 2017*, effective for the year ending June 30, 2018.

GASB has issued Statement No. 86 *Certain Debt Extinguishment Issues*, effective for the year ending June 30, 2018.

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

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND BOCES-WIDE
STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the funds 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 BOCES-wide statements, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the BOCES' governmental funds differ 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND BOCES-WIDE
STATEMENTS - Continued**

Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

1. Long-Term Revenue 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 on the Statement of Activities.

2. Capital Related Differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transactions Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

4. 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY**

Budgets

Section 1950 of the Education Law requires adoption of final budget by no later than May 15th of the ensuing year.

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

Appropriations for educational services are adopted at the program level.

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

Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. The BOCES board can approve supplementary appropriations based upon requests for additional services and surplus revenues. See the supplemental information schedule “*Change from Adopted Budget to Final Budget*” for supplementary appropriations during the current year.

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

Budgets are established and used for individual capital projects funds expenditures as approved by the component districts. The maximum project amounts authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY - Continued**

Other

The Special Aid Fund shows an unassigned deficit fund balance of \$95,536. This deficit results mostly from accumulation of unfunded expenditures relating to the Beginning Years Programs.

**NOTE 4 – CASH AND CASH EQUIVALENTS – CUSTODIAL
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE
AND FOREIGN CURRENCY RISKS**

Cash

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

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

Uncollateralized	\$ <u><u> -</u></u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the BOCES' name.	\$ <u><u>34,284,346</u></u>

Deposits at year-end were fully collateralized.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,860,008 within the governmental funds.

NOTE 5 – INVESTMENTS

The BOCES considers all highly liquid investments (including restricted assets) with original maturities of one year or less when purchased to be cash equivalents. The BOCES' investment policy for these investments is also governed by New York State statutes.

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 – INVESTMENTS - Continued

Total investments as of year-end were valued at an amortized cost of \$1,162,428 in the General Fund and \$295,671 in the Capital Project Fund. Investments consist of United State Treasury Strips and are carried at amortized costs due to remaining maturities at time of purchase of one year or less.

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

The BOCES does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity as of June 30, 2017 were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets Not Depreciated				
Land	\$ 576,295	\$ -	\$ -	\$ 576,295
Construction-in-Progress	-	198,806	-	198,806
Total Nondepreciable Assets	<u>\$ 576,295</u>	<u>\$ 198,806</u>	<u>\$ -</u>	<u>\$ 775,101</u>
Capital Assets Depreciated				
Site Improvements	\$ 1,512,295	\$ 20,941	\$ -	\$ 1,533,236
Buildings & Improvements	30,836,815	-	-	30,836,815
Furniture and Equipment	7,534,102	303,590	(85,137)	7,752,555
Capital Leases	3,383,488	446,519	(507,195)	3,322,812
Total Depreciable Assets	<u>43,266,700</u>	<u>771,050</u>	<u>(592,332)</u>	<u>43,445,418</u>
Less: Accumulated Depreciation				
Site Improvements	662,576	77,703	-	740,279
Buildings & Improvements	7,109,253	892,289	-	8,001,542
Furniture and Equipment	5,420,003	477,042	(85,137)	5,811,908
Capital Leases	1,357,851	879,743	(444,709)	1,792,885
Total Accumulated Depreciation	<u>14,549,683</u>	<u>2,326,777</u>	<u>(529,846)</u>	<u>16,346,614</u>
Total Depreciated Assets, Net	<u>\$ 28,717,017</u>	<u>\$ (1,555,727)</u>	<u>\$ (62,486)</u>	<u>\$ 27,098,804</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 – CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

Administrative	\$ 44,735
Occupational Instruction	727,049
Instruction for Special Education	66,529
Itinerant Services	3,741
General Instruction	270,219
Instructional Support	1,092,880
Other Services	<u>121,624</u>
Total Depreciation Expense	<u><u>\$ 2,326,777</u></u>

NOTE 7 – SHORT TERM DEBT

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	6/23/2017	1.08%	\$ 5,500,000	\$ -	\$ 5,500,000	\$ -
RAN	6/22/2018	2.25%	-	5,500,000	-	5,500,000
			<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>

Interest on short-term debt for the year was composed of:

Interest Paid	\$ 59,235
Less: Interest Accrued in the Prior Year	-
Plus: Interest Accrued in the Current Year	<u>-</u>
Total Expense	<u><u>\$ 59,235</u></u>

The RAN was issued in anticipation of the collection of Federal and State aid receivables.

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS

On June 5, 2015, the BOCES defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the BOCES' financial statements. \$6,080,000 of bonds outstanding are considered defeased.

Also, the reacquisition price exceeded the net carrying amount of the old debt by \$596,068. This amount is reported as deferred outflows of resources and is amortized over the remaining life of the new debt issued, which is the same as the refunded debt. The balance of defeasance loss, the deferred outflows of resources, net of fiscal year 2017 amortization, at June 30, 2017, is \$487,692.

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Municipal Lease Obligation	\$ 412,710	\$ -	\$ 131,651	\$ 281,059	\$ 137,484
NYS Dormitory Authority Bonds	12,705,000	-	935,000	11,770,000	965,000
Premium on Bonds	289,761	-	23,796	265,965	23,796
Lease - Purchase Obligations	1,095,337	252,854	364,739	983,452	356,977
Total Bonds & Notes Payable	14,502,808	252,854	1,455,186	13,300,476	1,483,257
Other Liabilities					
Compensated Absences Payable	1,677,780	-	45,451	1,632,329	-
Other Postemployment Benefits Payable	98,719,788	11,709,881	-	110,429,669	-
Net Pension Liability - Proportionate Share	4,590,291	-	552,020	4,038,271	-
Total Other Liabilities	104,987,859	11,709,881	597,471	116,100,269	-
Total Government Activities	\$ 119,490,667	\$ 11,962,735	\$ 2,052,657	\$ 129,400,745	\$ 1,483,257

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

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS - Continued

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Municipal Lease Serial Bonds - 2003	06/13/03	03/01/19	4.38%	\$ 281,059
NYS Dormitory Authority Bonds - 2011	07/22/11	08/15/30	2.5-5.625%	5,130,000
NYS Dormitory Authority Bonds - 2015	06/10/15	08/15/26	2-5%	<u>6,640,000</u>
				<u>\$ 12,051,059</u>

The following is a summary of debt service requirements for the year ended June 30, 2017:

	Principal	Interest	Total
2018	\$ 1,102,484	\$ 439,883	\$ 1,542,367
2019	1,138,575	399,843	1,538,418
2020	1,035,000	358,456	1,393,456
2021	1,060,000	333,694	1,393,694
2022	1,085,000	307,888	1,392,888
2023-2027	5,140,000	985,962	6,125,962
2028-2030	<u>1,490,000</u>	<u>170,719</u>	<u>1,660,719</u>
Total	<u>\$ 12,051,059</u>	<u>\$ 2,996,445</u>	<u>\$ 15,047,504</u>

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

Interest Paid	\$ 471,515
Less: Interest Accrued in the Prior Year	(6,537)
Plus: Interest Accrued in the Current Year	<u>7,596</u>
Total Expense	<u>\$ 472,574</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – LONG-TERM DEBT OBLIGATIONS - Continued

The following is a summary of capital lease obligations for the year ended June 30, 2017:

2018	\$ 356,977
2019	328,786
2020	260,684
2021	117,160
2022	5,263
Total Minimum Lease Payments	<u>1,068,870</u>
Less Amount Representing Interest	<u>(85,418)</u>
Total Expense	<u>\$ 983,452</u>

NOTE 9 – PENSION PLANS

General Information

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

Provisions and Administration

Teachers' Retirement System (TRS)

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, NY 12211-2395.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

Employees' Retirement System (ERS)

The New York State Employees' Retirement System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State St., Albany, NY 12244.

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by 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 are subdivided into the following six classes:

Tiers 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tiers 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tiers 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tiers 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Tiers 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tiers 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tiers 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service retirements above.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Retirement

In accordance with Chapter 640 of the Laws of 1998, any member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

ERS Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Worker's Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The Systems are noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the systems more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at a rate determined actuarially by the Systems. The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. The BOCES chose to prepay the required contributions by December 15, 2016 and received an overall discount of \$9,483. Required contributions for the current and two preceding years were:

	NYSTRS	NYSERS
2016-2017	\$ 2,481,242	\$ 1,116,579
2015-2016	3,177,819	1,189,665
2014-2015	2,898,081	1,363,901

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – PENSION PLANS - Continued

Contributions - Continued

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ended March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the BOCES exercised.

NOTE 10 – INTERFUND BALANCES – GOVERNMENTAL FUNDS

Interfund balances at June 30, 2017 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 1,031,298	\$ 542,825	\$ -	\$ 550,000
Special Aid	-	1,007,181	-	-
Capital Projects	542,825	24,006	550,000	-
Total Government Activities	1,574,123	1,574,012	550,000	550,000
Fiduciary	-	111	-	-
Total	<u>\$ 1,574,123</u>	<u>\$ 1,574,123</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances (deficits) of the BOCES at the year ended June 30, 2017:

	General	Special Aid	Capital Project	Total Governmental Funds
Nonspendable	\$ 14,271	\$ -	\$ -	\$ 14,271
Restricted				
Employee Benefit Accrued Liability	978,144	-	-	978,144
Retirement Contributions	682,317	-	-	682,317
Unemployment Insurance	888,985	-	-	888,985
Advanced Technical Equipment	-	-	310,562	310,562
Debt Reserve - DASNY	-	-	295,671	295,671
Assigned				
Capital Fund	-	-	694,359	694,359
Unassigned				
Special Aid	-	(95,536)	-	(95,536)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Fund Balance	<u>\$2,563,717</u>	<u>\$ (95,536)</u>	<u>\$1,300,592</u>	<u>\$ 3,768,773</u>

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

The BOCES provides postemployment (health insurance) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the BOCES' contractual agreements.

The BOCES implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in the school year ended June 30, 2009. This required the BOCES to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made. The Statement requires the BOCES to recognize the cost of these benefits, rather than continuing to use the pay as you go method (recognize the cost as the retiree premiums and reimbursements are paid). This cost is referred to as the annual required contribution (ARC) and includes two components:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

- Amortization of the unfunded actuarial liability (UAL) for the current year, the UAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year.
- The actuarially-determined cost of future OPEB ascribed to, or “earned” in the current year (normal cost).

The BOCES provides a self-insured minimum premium traditional indemnity plan to eligible retirees and dependents through the St. Lawrence-Lewis Health Care Consortium (the Plan). Currently 352 retired employees have elected to participate and contribute health insurance payments under the BOCES’ plan. Participants must be eligible to retire under the New York State Retirement System (ERS or TRS) and meet the minimum requirements of age 55 with 5 years of service. The plan pays for 100% of the cost of retirees’ individual premiums. All spouses contribute 75% of the individual premium.

Spousal benefits continue for the life of the retired employee spouse and surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 103% of the plan premium through COBRA for 18 months. Separate financial statements are not issued for the Plan.

The BOCES’ annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Plan is financed on a pay-as-you-go basis. The following table shows the components of the BOCES’ annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the BOCES’ net OPEB obligation to the Plan:

Annual Required Contribution	\$ 18,204,503
Interest on Net OPEB Obligation	3,455,193
Adjustment to annual required contribution	<u>(6,288,696)</u>
Annual OPEB Cost (Expense)	15,371,000
Contributions Made	<u>(3,661,119)</u>
Increase in Net OPEB Obligation	11,709,881
Net OPEB Obligation - Beginning of Year	<u>98,719,788</u>
Net OPEB Obligation - End of Year	<u><u>\$ 110,429,669</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

The BOCES’ annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for June 30, 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 15,371,000	23.82%	\$ 110,429,669
June 30, 2016	18,290,085	19.87%	98,719,788
June 30, 2015	17,391,055	19.37%	84,064,617

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability of the plan was \$170,003,157, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$22,333,571, and the ratio of the UAAL to the covered payroll was approximately 761.20%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. A summary of the methods and assumptions is provided on the following page:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

Actuarial Methods and Assumptions

Measurement Date	06/30/17
Investment Rate of Return	3.50%
Expected Return on Plan Assets	N/A
Expected Return on Employer's Assets	4.00%
Rate of Compensation Increase	N/A
Inflation Rate	2.90%

Assumed Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.56%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.84%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2087

Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period Remaining (in Years)	22
Amortization Period Status	Open
Method Used to Determine Actuarial Value of Assets	N/A

NOTE 13 – RISK MANAGEMENT

General Information

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 13 – RISK MANAGEMENT - Continued

Consortiums and Self-Insured Plans

The BOCES participates in the St. Lawrence-Lewis Counties School District Employee Medical Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$2,000,000 annual maximum and the BOCES has essentially transferred all related risk to the pool.

The BOCES participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The BOCES' share of the liability for unbilled and open claims is \$-0-.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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 years' experience, the BOCES' administration believes disallowances, if any, will be immaterial.

NOTE 15 – LEASE OBLIGATIONS

The BOCES leases certain equipment, office space and personal property under the terms of various non-cancelable leases. Rental expense for the year ended June 30, 2017 was \$228,854.

Minimum annual rentals for each of the remaining years of the lease at June 30 are:

2018	\$	252,289
2019		214,408
2020		156,884
2021		73,387
2022		28,935
	\$	<u>725,903</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 16 – OTHER CHANGES IN FUND BALANCE (DEFICIT)

General Fund - The (\$4,183,684) decrease in fund balance for the year ended June 30, 2017 represents the excess of revenues over expenditures net of any reserve income and expenditures as follows:

Refund of Surplus Unpaid to Component Districts	(4,134,499)
Changes in Reserve Balances	
Employee Benefit Accrued Liability	(30,271)
Reserve for Unemployment Insurance	(18,914)
Encumbrances, Beginning of Year	-
Encumbrances, End of Year	-
	<hr/>
	<u>\$ (4,183,684)</u>

NOTE 17 – RESTATEMENT OF NET POSITION

Due to changes in the calculation of the BOCES' contributions subsequent to the measurement date to New York State Teachers' and Employees' retirement systems, adjustments to the respective deferred outflows of resources have been made in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GAB Statement No. 27*.

Net Position Beginning of Year, as Previously Stated	\$ (74,525,540)
GASB Statement No. 68 Adjustments:	
Increase in Deferred Outflows - Teachers' Retirement System	2,481,242
Increase in Deferred Outflows - Employees' Retirement System	307,105
	<hr/>
Net Position Beginning of Year, as Restated	<u>\$ (71,737,193)</u>

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 11, 2017, which is the date of the issuance of the financial statements.

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ST. LAWRENCE-LEWIS COUNTIES BOCES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS PLAN

For the Year Ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2016	\$ -	\$ 170,003,157	\$ 170,003,157	0%	\$22,333,571	761.20%
July 1, 2015	\$ -	\$ 183,205,742	\$ 183,205,742	0%	\$25,297,558	724.20%
July 1, 2014	\$ -	\$ 171,968,486	\$ 171,968,486	0%	\$23,523,164	731.06%

See paragraph on supplementary schedules included in independent auditors' report.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND**
Year Ended June 30, 2017

	Original Budget	Final Budget
REVENUES		
Administration: 001	\$ 8,039,946	\$ 8,132,230
Occupational Instruction: 100-199	9,329,486	9,475,752
Instruction for Special Education: 200-299	22,020,039	22,589,301
Itinerant Services: 300-399	4,219,993	4,213,868
General Instruction: 400-499	2,087,308	2,386,538
Instructional Support: 500-599	6,865,367	8,841,145
Other Services: 600-699	8,923,091	10,272,659
Total Revenues	<u>61,485,230</u>	<u>65,911,493</u>
	Original Budget	Final Budget
EXPENDITURES		
Administration: 001	8,039,944	7,582,228
Occupational Instruction: 100-199	9,329,486	9,475,752
Instruction for Special Education: 200-299	22,020,039	22,589,301
Itinerant Services: 300-399	4,219,994	4,213,868
General Instruction: 400-499	2,087,308	2,386,538
Instructional Support: 500-599	6,865,367	8,841,147
Other Services: 600-699	8,923,092	10,272,659
Total Expenditures	<u>61,485,230</u>	<u>65,361,493</u>
OTHER FINANCING USES		
Transfers to Other Funds	-	550,000
Total Expenditures and Other Financing Uses	<u>61,485,230</u>	<u>65,911,493</u>
OTHER CHANGES IN FUND BALANCE		
Refund of Surplus Unpaid	-	-
Employee Benefit Accrued Liability	-	-
Reserve for Unemployment Insurance	-	-
Plus - Encumbrances, Ending	-	-
Less - Encumbrances, Beginning	-	-
Total Other Changes in Fund Balance	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	<u>2,612,902</u>	<u>2,612,902</u>
Fund Balance - End of Year	<u>\$ 2,612,902</u>	<u>\$ 2,612,902</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

Actual	Final Budget Variance with Actual
\$	
8,132,230	-
9,475,752	-
22,589,301	-
4,213,868	-
2,386,538	-
8,841,145	-
10,272,659	-
65,911,493	-

	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
6,926,650	\$ -	\$ 655,578
9,409,271	-	66,481
20,109,925	-	2,479,376
3,949,625	-	264,243
2,341,423	-	45,115
8,632,756	-	208,391
9,857,344	-	415,315
61,226,994	-	\$ 4,134,499

550,000
61,776,994

(4,134,499)
 (30,271)
 (18,914)
 -
 -
(4,183,684)
 (49,185)
2,612,902
\$ 2,563,717

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN
LAST THREE FISCAL YEARS**

Ended June 30, 2017

	2017	2016	2015
Teachers' Retirement System (TRS)			
BOCES' Proportion of the Net Pension Asset (Liability)	0.121264%	0.120681%	0.120734%
BOCES' Proportionate Share of the Net Pension Asset (Liability)	\$ (1,298,787)	\$ 12,534,884	\$ 13,449,053
BOCES' Covered-Employee Payroll	\$ 18,993,009	\$ 18,127,290	\$ 17,849,204
BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered-Employee Payroll	6.84%	69.15%	75.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)			
BOCES' Proportion of the Net Pension Asset (Liability)	0.0291552%	0.0285994%	0.0283649%
BOCES' Proportionate Share of the Net Pension Asset (Liability)	\$ (2,739,484)	\$ (4,590,291)	\$ (958,236)
BOCES' Covered-Employee Payroll	\$ 7,477,025	\$ 7,039,536	\$ 7,410,545
BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Employee Payroll	36.64%	65.21%	12.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	94.70%	90.68%	97.95%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST THREE FISCAL YEARS**

Ended June 30, 2017

	2017	2016	2015
Teachers' Retirement System (TRS)			
Contractually Required Contribution	\$ 2,481,242	\$ 3,177,819	\$ 2,898,081
Contributions in Relation to the Contractually Required Contribution	<u>2,481,242</u>	<u>3,177,819</u>	<u>2,898,081</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' Covered-Employee Payroll	\$ 18,993,009	\$ 18,127,290	\$ 17,849,204
Contributions as a Percentage of Covered-Employee Payroll	13.06%	17.53%	16.24%
Employees' Retirement System (ERS)			
Contractually Required Contribution	\$ 1,116,579	\$ 1,189,665	\$ 1,363,901
Contributions in Relation to the Contractually Required Contribution	<u>1,116,579</u>	<u>1,189,665</u>	<u>1,363,901</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' Covered-Employee Payroll	7,477,025	7,039,536	7,410,545
Contributions as a Percentage of Covered-Employee Payroll	14.93%	16.90%	18.40%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditors' report.

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND

Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 61,485,230
Add: Prior Year's Encumbrances	<u> -</u>
Original Budget	61,485,230
Budget Revision	<u> 4,426,263</u>
Final Budget	<u><u> \$ 65,911,493</u></u>

The Original Budget was Revised for the Following Programs:

Budget Increases (Decreases)	
Administration	\$ 92,284
Occupational Instruction	146,266
Instruction for Special Education	569,262
Itinerant Services	(6,126)
General Instruction	299,230
Instructional Support	1,975,780
Other Services	<u>1,349,567</u>
Total Budget Increase	<u> 4,426,263</u>
Net Increase	<u><u> \$ 4,426,263</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

ST. LAWRENCE-LEWIS COUNTIES BOCES

ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS

Year Ended June 30, 2017

JULY 1 - DEBIT (CREDIT BALANCE)	\$ (3,804,497)
Debits:	
Billings to School Districts	64,428,982
Refund of Balances Due School Districts	3,804,497
Encumbrances - End of Year	<u>-</u>
TOTAL DEBITS	<u>68,233,479</u>
Credits:	
Collection from School Districts	64,428,982
Adjustment - Credits to School Districts: Revenues in Excess of Expenditures	4,134,499
Encumbrance - Beginning of Year	<u>-</u>
TOTAL CREDITS	<u>68,563,481</u>
JUNE 30 - DEBIT (CREDIT) BALANCE	<u><u>\$ (4,134,499)</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING SOURCES

Year Ended June 30, 2017

Project Title	Expenditures					Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance 6/30/2017
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total			State Aid	Local Sources	Total	
Tech Center - SWT HVAC Renovations	\$ 510,000	\$ 730,000	\$ -	\$ 198,806	\$ 198,806	\$ 531,194	\$ -	\$ -	\$ 730,000	\$ 730,000	\$ 531,194
Future Project - SWT Sanitation	79,500	85,200	-	-	-	85,200	-	-	85,200	85,200	85,200
Future Project - CTE Renovation	-	-	-	-	-	-	-	-	77,965	77,965	77,965
Totals	\$ 589,500	\$ 815,200	\$ -	\$ 198,806	\$ 198,806	\$ 616,394	\$ -	\$ -	\$ 893,165	\$ 893,165	\$ 694,359

See paragraph on supplementary schedules included in independent auditors' report.

ST. LAWRENCE-LEWIS COUNTIES BOCES

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2017

Capital Assets, Net		\$ 27,873,905
Add:		
Defeasance Loss		487,692
Deduct:		
Premium on Bonds Payable	\$ 265,965	
Short-Term Portion of Bonds Payable	1,102,484	
Long-Term Portion of Bonds Payable	10,948,575	
Short-Term Portion of Installment Debt	356,977	
Long-Term Portion of Installment Debt	626,475	13,300,476
Net Investment in Capital Assets		<u><u>\$ 15,061,121</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

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

**BOARD OF EDUCATION
ST. LAWRENCE-LEWIS COUNTIES BOCES**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the St. Lawrence-Lewis Counties BOCES as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the St. Lawrence-Lewis Counties BOCES' basic financial statements and have issue our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Lawrence-Lewis Counties 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 St. Lawrence-Lewis Counties BOCES' internal control. Accordingly, we do not express an opinion of the effectiveness of St. Lawrence-Lewis Counties BOCES' internal control.

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

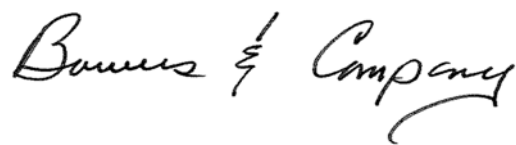
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 St. Lawrence-Lewis Counties 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 statements 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.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Watertown, New York
October 11, 2017