

**S** T. LAWRENCE-LEWIS  
COUNTIES BOCES

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***FINANCIAL STATEMENTS***

June 30, 2018



# Table of Contents

## ST. LAWRENCE-LEWIS COUNTIES BOCES

|   |    |
|---|----|
| INDEPENDENT AUDITOR'S 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  | 26 |
| RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES   | 27 |
| STATEMENT OF FIDUCIARY NET POSITION   | 28 |
| NOTES TO AUDITED BASIC FINANCIAL STATEMENTS   | 29 |
| REQUIRED SUPPLEMENTARY INFORMATION  | 76 |
| SCHEDULE OF CHANGES IN THE BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS   | 76 |
| SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND   | 77 |
| SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN   | 79 |
| SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN  | 80 |
| SUPPLEMENTARY INFORMATION   | 81 |
| SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND   | 81 |
| ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS   | 82 |
| SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES  | 83 |
| NET INVESTMENT IN CAPITAL ASSETS  | 84 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 85 |



## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

### INDEPENDENT AUDITOR'S REPORT

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

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

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

##### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

#### ***Change in Accounting Principle***

As described in Note 3 to the financial statements, in 2018, the BOCES adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-20), Schedule of Changes in the BOCES' Total OPEB Liability and Related Ratios (page 76), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – General Fund (page 77-78), Schedule of the BOCES' Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 79), and Schedule of the BOCES' Contributions – NYSLRS Pension Plan (page 80) 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 Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 81-84) 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 Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 81-84) 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 Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 81-84) 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 9, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the St. Lawrence-Lewis Counties BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Lawrence-Lewis Counties BOCES' internal control over financial reporting and compliance.

*Bowers & Company*

Watertown, New York  
October 9, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2018. 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**

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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, 2018

**ORGANIZATIONAL PURPOSE AND DETAILED MISSION -**Continued

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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**

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The BOCES' total net position of governmental activities decreased over \$6.56 million, which represents a 3.74% decrease from fiscal year 2017, as restated. The majority of this decrease can be attributed to the increase in the postemployment benefit obligation and related deferred outflows/inflows of resources at year-end. Please note that the BOCES implemented GASB Statement 75 in 2017-18 and restated the OPEB liability for the prior fiscal year in order to comply with this new statement.

Overall revenues of \$71,274,576 exceeded expenditures of \$68,457,477 by \$2,817,099 in the governmental funds.

A total of \$650,910 was expended in the Capital Fund in 2017-18. These expenditures were for two projects approved by The State Education Department for renovation work and sanitary improvements at Southwest Technical Center.

The fund balance of the BOCES has decreased slightly to \$3,285,308 in 2018 from \$3,768,773 in 2017.

Among major funds, the General Fund had \$66 million in revenues and \$62.9 million in expenditures in fiscal year 2018, 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 2018 is \$3,176,795, which is a decrease of \$957,704 from fiscal year 2017.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**FINANCIAL HIGHLIGHTS - Continued**

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In 2017-18, the BOCES was awarded a Farm-to-School Program by the NYS Department of Agriculture and Markets. The program will begin in the 2018-19 school year in collaboration with Cornell Cooperative Extension of St. Lawrence County.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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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, 2018

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

| Table A-1   | Major Features of the BOCES-Wide and Fund Financial Statement                          |   |   |
|---|--|---|---|
|   | BOCES-Wide   | Fund Financial Statements   |   |
|  |  | Governmental Funds  | Fiduciary Funds   |
| Scope   | Entire BOCES (except fiduciary funds)  | The activities of the BOCES that are not fiduciary, such as instruction, special education and building maintenance   | Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities' monies |
| Required Financial Statements   | 1. Statement of Net Position<br>2. Statement of Activities                             | 3. Balance Sheet<br>4. Statement of Revenues, Expenditures and Changes in Fund Balance  | 5. Statement of Fiduciary Net Position<br>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, 2018

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**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, 2018

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**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 St. Lawrence-Lewis Counties School District Employees Medical and Workers' Compensation Plan assets. 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**

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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 \$182.2 million at the close of the most recent fiscal year. This represents a \$6,564,784 decrease in the Statement of Net Position, as restated. The overall deficit is largely due to the BOCES other postemployment benefit ("OPEB") liability. As of June 30, 2018, the OPEB liability was \$187,953,018 compared to \$205,899,842 reported at the close of the prior fiscal year, as restated. The restatement of the OPEB liability was due to the BOCES implementing a change in accounting principle to comply with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 18 to the financial statements for additional information relating to the restatement. The overall decrease in net position in the current fiscal year is largely due to two factors. First, is the net change in the OPEB Liability recognized in the current year which resulted in a positive change of \$17,946,824. The second is the net increase in deferred inflows of resources over deferred outflows related to the OPEB liability of \$23,244,482. The net impact of these two items, of \$5,817,504, ultimately resulted in the current year decrease. See Note 13 for additional OPEB information.



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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -**Continued

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The following table presents a condensed statement of net position for the fiscal year ended June 30, 2018 and June 30, 2017, respectively:

**Condensed Statement of Net Position**

|   | June 30, 2018           | June 30, 2017<br>(Restated) | % Change        |
|---|-------------------------|-----------------------------|-----------------|
| <b>ASSETS</b>                               |                         |                             |                 |
| Current Assets                              | \$ 27,325,320           | \$ 28,078,554               | -2.68%          |
| Net Pension Asset - Proportionate Share     | 911,303                 | -                           | 100.00%         |
| Capital Assets, Net                         | 27,462,826              | 27,873,905                  | -1.47%          |
| <b>TOTAL ASSETS</b>                         | <u>\$ 55,699,449</u>    | <u>\$ 55,952,459</u>        | <u>-0.45%</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                         |                             |                 |
| Deferred Charge on Bond Refunding           | \$ -                    | \$ 487,692                  | -100.00%        |
| Other Postemployment Benefits               | 3,912,746               | 3,672,669                   | 6.54%           |
| Pensions                                    | 14,773,278              | 14,440,840                  | 2.30%           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <u>\$ 18,686,024</u>    | <u>\$ 18,601,201</u>        | <u>0.46%</u>    |
| <b>LIABILITIES</b>                          |                         |                             |                 |
| Current Liabilities                         | \$ 25,540,677           | \$ 25,785,442               | -0.95%          |
| Long-Term Debt Outstanding                  | 200,386,120             | 219,349,390                 | -8.65%          |
| Net Pension Liability - Proportionate Share | 958,646                 | 4,038,271                   | -76.26%         |
| <b>TOTAL LIABILITIES</b>                    | <u>\$ 226,885,443</u>   | <u>\$ 249,173,103</u>       | <u>-8.94%</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                         |                             |                 |
| Other Postemployment Benefits               | \$ 24,004,405           | \$ -                        | 100.00%         |
| Pensions                                    | 5,646,130               | 966,278                     | 484.32%         |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>  | <u>\$ 29,650,535</u>    | <u>\$ 966,278</u>           | <u>2968.53%</u> |
| <b>NET POSITION</b>                         |                         |                             |                 |
| Net Investment in Capital Assets            | 15,148,275              | 15,061,121                  | 0.58%           |
| Restricted                                  | 3,036,256               | 3,155,679                   | -3.78%          |
| Unrestricted (Deficit)                      | (200,335,036)           | (193,802,521)               | 3.37%           |
| <b>TOTAL NET POSITION</b>                   | <u>\$ (182,150,505)</u> | <u>\$ (175,585,721)</u>     | <u>3.74%</u>    |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -**

Continued

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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.

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is \$14,773,278 related to the BOCES' participation in the NYS TRS and ERS pension systems and \$3,912,746 related to the BOCES' OPEB Plan.

In addition to liabilities, the *Statement of Net Position* or Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$5,646,130 related to the BOCES' participation in the NYS TRS and ERS pension systems, and \$24,004,405 related to the BOCES' OPEB Plan.

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, 2018 and June 30, 2017, were \$71.3 million and \$70.8 million, respectively. The total cost of all programs and services was \$74.5 million for the year ended June 30, 2018 and \$78.7 million for the year ended June 30, 2017. The following table presents a summary of the changes in net position from operating results for the fiscal years ended June 30, 2018 and June 30, 2017, respectively:

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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -**Continued

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**Changes in Net Position from Operating Results - Continued**

|  | June 30, 2018         | June 30, 2017         | * % Change     |
|--|-----------------------|-----------------------|----------------|
| <b>Revenues:</b>                         |                       |                       |                |
| Program Revenues:                        |                       |                       |                |
| Charges for Services                     | \$ 64,555,619         | 64,479,874            | 0.12%          |
| Operating Grants                         | 4,970,133             | 4,817,052             | 3.18%          |
| General Revenues                         |                       |                       |                |
| Sale of Property & Compensation for Loss | 274,879               | 235,425               | 16.76%         |
| Investment Income                        | 25,131                | 58,545                | -57.07%        |
| Miscellaneous                            | 1,427,712             | 1,227,080             | 16.35%         |
| <b>Total Revenues</b>                    | <b>\$ 71,253,474</b>  | <b>\$ 70,817,976</b>  | <b>0.61%</b>   |
| <b>Expenses:</b>                         |                       |                       |                |
| Instruction for Handicapped              | \$ 26,039,651         | \$ 28,283,867         | -7.93%         |
| General & Occupational Instruction       | 16,094,408            | 16,725,012            | -3.77%         |
| Itinerant Services                       | 4,204,912             | 5,068,833             | -17.04%        |
| Other Services                           | 10,297,378            | 11,225,970            | -8.27%         |
| Instruction Support Services             | 10,578,468            | 11,154,002            | -5.16%         |
| Support Services - Administrative        | 7,302,877             | 6,227,632             | 17.27%         |
| <b>Total Expenses</b>                    | <b>\$ 74,517,694</b>  | <b>\$ 78,685,316</b>  | <b>-5.30%</b>  |
| <b>Change in Net Position</b>            | <b>\$ (3,264,220)</b> | <b>\$ (7,867,340)</b> | <b>-58.51%</b> |

\* June 30, 2017 Changes in Net Position from Operating Results information has not been restated as the required information from GASB 75 is only available for fiscal years ending June 30, 2018 and forward.

Revenue in the investment income category experienced the largest decrease from 2017 to 2018. The BOCES is working with J.P. Morgan to convert two existing bank accounts to a high balance savings program to increase interest earnings.

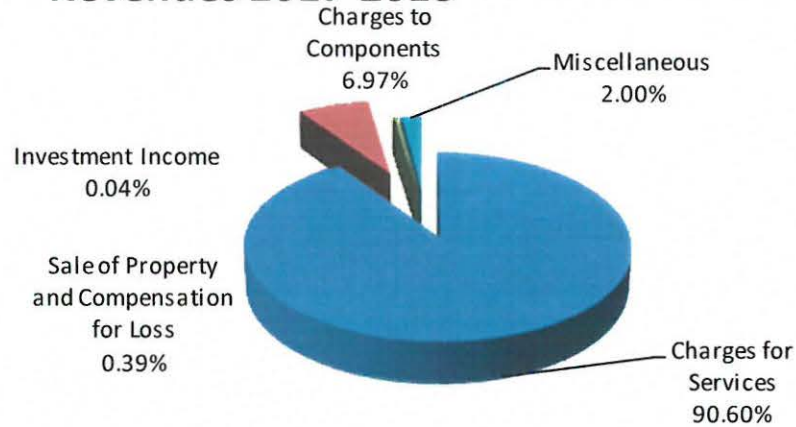
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

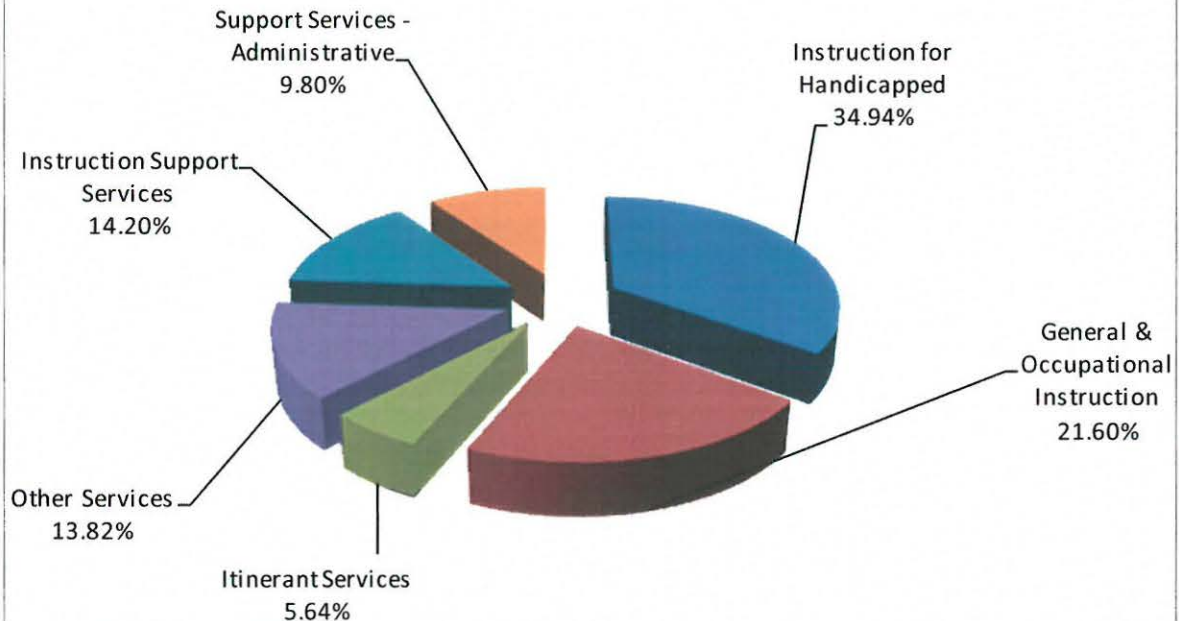
FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

**Revenues 2017-2018**



**Expenditures 2017-2018**





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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**BUDGETARY HIGHLIGHTS**

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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 7.5 percent. The \$4.6 million increase can be briefly summarized as follows:

|                                   | <b>Original Budget</b> | <b>Final Budget</b>  | <b>Increase<br/>(Decrease)</b> |
|-----------------------------------|------------------------|----------------------|--------------------------------|
| Administration                    | \$ 8,465,505           | \$ 8,393,599         | \$ (71,906)                    |
| Occupational Instruction          | 9,510,977              | 9,814,700            | 303,723                        |
| Instruction for Special Education | 21,761,820             | 21,742,297           | (19,523)                       |
| Itinerant Services                | 3,893,941              | 3,926,801            | 32,860                         |
| General Instruction               | 2,156,756              | 2,915,544            | 758,788                        |
| Instructional Support             | 6,954,879              | 9,431,970            | 2,477,091                      |
| Other Services                    | 8,693,792              | 9,824,207            | 1,130,415                      |
| <b>Total</b>                      | <b>\$ 61,437,670</b>   | <b>\$ 66,049,118</b> | <b>\$ 4,611,448</b>            |

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:

|                                   | <b>Final Budget</b>  | <b>Actual<br/>Expenditures &amp;<br/>Transfers</b> | <b>Variance</b>     |
|-----------------------------------|----------------------|--|---------------------|
| Administration                    | \$ 7,903,599         | \$ 7,540,146                                       | \$ 363,453          |
| Occupational Instruction          | 9,814,699            | 9,643,542  | 171,157             |
| Instruction for Special Education | 21,742,296           | 20,450,541   | 1,291,755           |
| Itinerant Services                | 3,926,802            | 3,698,364  | 228,438             |
| General Instruction               | 2,915,544            | 2,770,848  | 144,696             |
| Instructional Support             | 9,431,971            | 8,849,174  | 582,797             |
| Other Services                    | 9,824,207            | 9,429,708  | 394,499             |
| <b>Total</b>                      | <b>\$ 65,559,118</b> | <b>\$ 62,382,323</b>                               | <b>\$ 3,176,795</b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**BUDGETARY HIGHLIGHTS - Continued**

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There were budget variances in several categories in 2017-2018. Special Education saw the largest variance with a positive amount of \$1,291,755 under budget. It should be noted that this variance is lower than the variance of \$2,479,376 in the same category in 2016-2017. When budgets were built, the Special Education department reduced tuition rates in 2017-2018 to bring the variance down.

**ANALYSIS OF THE BOCES' FUNDS**

---

**General Fund**

The General Fund had total expenditures (including transfers) of \$62.9 million and total revenues of \$66 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 2017-18 budgets decreased \$957,704 from fiscal year 2018 to \$3,176,795. A majority of this decrease is attributable to the decrease in Special Education tuition rates.

The major portion of the General Fund expenditures goes directly to the Instruction for Special Education programs- \$20,450,541 (32.65%). Other major categories in the General Fund are General and Occupational Instruction - \$12,414,392 (19.82%), Other Services - \$9,429,707 (15.06%) and Instructional Support - \$8,849,174 (14.13%).

Charges to component districts comprise the largest portion of revenues in the General Fund. From 2017 to 2018, there was a slight decrease of \$156,137, or (.24%) in this category. The General Fund saw an increase in charges to other BOCES from 2017 to 2018. This increase can be attributed to a change in billing for the workers' compensation administration service.

The fund balance of the BOCES decreased in 2018. The majority of this decrease was in the Capital Fund where capital outlay that was transferred in from the General Fund in prior years was expended in the current year.

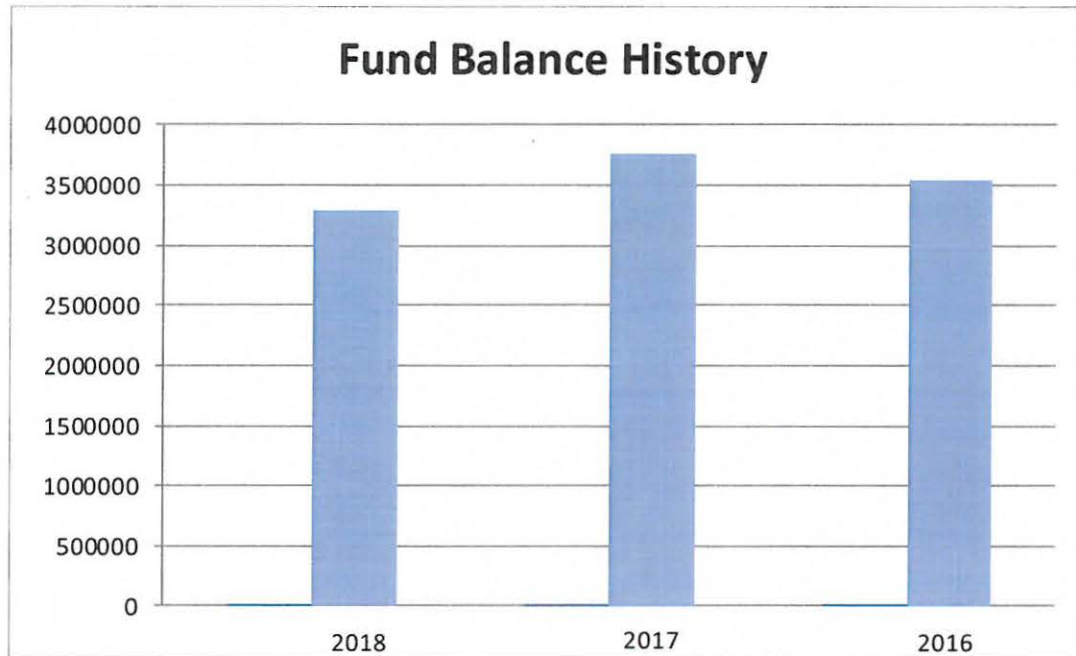
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 sources. The BOCES secured grant funding for Agricultural Studies in 2018 through DASNY and a legislative grant. Revenue from federal sources decreased slightly in the Special Aid Fund as funding for the RUS Grant through USDA ended.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**ANALYSIS OF THE BOCES' FUNDS - Continued**

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**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, 2018 and 2017.

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>Revenues:</b>                         |                     |                     |
| Charges for Services                     | \$ 423,714          | 358,628             |
| Sale of Property & Compensation for Loss | 9,263               | 7,770               |
| Miscellaneous                            | 2,678,009           | 2,581,249           |
| State Sources                            | 1,482,429           | 1,323,535           |
| Federal Sources                          | 622,696             | 652,046             |
| <b>Total Revenues</b>                    | <b>\$ 5,216,111</b> | <b>\$ 4,923,228</b> |
| <b>Expenses:</b>                         |                     |                     |
| Occupational Instruction                 | \$ 1,087,193        | \$ 875,114          |
| Instruction for Special Education        | 2,746,703           | 2,766,035           |
| General Instruction                      | 469,470             | 521,460             |
| Instructional Support                    | 733,261             | 721,806             |
| Other Services                           | 142,617             | 126,705             |
| <b>Total Expenses</b>                    | <b>\$ 5,179,244</b> | <b>\$ 5,011,120</b> |

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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**Capital Assets**

As of June 30, 2018, the BOCES had invested \$27.5 million in capital assets, net of accumulated depreciation, including school buildings, site improvements, fixtures, vehicles, and office, computer and shop equipment.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**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, 2018.

|                                | Balance<br>6/30/2017 | Additions          | Retirements/<br>Reclassifications | Balance<br>6/30/2018 |
|--------------------------------|----------------------|--------------------|-----------------------------------|----------------------|
| Land                           | \$ 576,295           | \$ -               | \$ -                              | \$ 576,295           |
| Construction-in-Progress       | 198,806              | 650,910            | (849,716)                         | -                    |
| Site Improvements              | 1,533,236            | -                  | 849,716                           | 2,382,952            |
| Buildings                      | 30,836,815           | -                  | -                                 | 30,836,815           |
| Furniture and Equipment        | 7,752,555            | 375,001            | (416,400)                         | 7,711,156            |
| Capital Leases                 | 3,322,812            | 1,128,399          | (897,771)                         | 3,553,440            |
| Less: Accumulated Depreciation | (16,346,614)         | (2,250,410)        | 999,192                           | (17,597,832)         |
| <b>Total</b>                   | <b>\$ 27,873,905</b> | <b>\$ (96,100)</b> | <b>\$ (314,979)</b>               | <b>\$ 27,462,826</b> |

**Long-Term Debt**

At year-end, the BOCES had \$202,869,765 in Municipal Leases and other long-term debt outstanding, of which \$1,524,999 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, 2018:

|   | Balance<br>6/30/2017<br>(Restated) | Issues/<br>Increases | Reductions             | Balance<br>6/30/2018  |
|---|------------------------------------|----------------------|------------------------|-----------------------|
| NYS Dormitory Authority                                 | \$ 11,770,000                      | \$ -                 | \$ (965,000)           | \$ 10,805,000         |
| Municipal Lease   | 281,059                            | -                    | (137,484)              | 143,575               |
| Installment Purchases                                   | 983,452                            | 505,766              | (365,411)              | 1,123,807             |
| Compensated Absences                                    | 1,632,329                          | 11,221               | -                      | 1,643,550             |
| Premium on Bonds  | 265,965                            | -                    | (23,796)               | 242,169               |
| Other Postemployment<br>Benefits Liability, as Restated | 205,899,842                        | -                    | (17,946,824)           | 187,953,018           |
| Net Pension Liability -<br>Proportionate Share          | 2,739,484                          | -                    | (1,780,838)            | 958,646               |
| <b>Total</b>  | <b>\$ 223,572,131</b>              | <b>\$ 516,987</b>    | <b>\$ (21,219,353)</b> | <b>\$ 202,869,765</b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued**

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**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**

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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 a major renovation project at all three technical centers which was approved by voters on October 9<sup>th</sup>, 2018. Work for this new project would most likely begin in the summer of 2020 with financing for the \$43.5 million project going through DASNY.

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.

Labor contracts with all three of the BOCES units (Teachers' Association, Federation of Instructional Support Personnel and Non-Instructional Support Staff Association) expired June 30, 2018. The BOCES is currently in negotiations with each unit. Future wage and benefit agreements are unknown at this time.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

**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, 2018

| <b>ASSETS</b>  |                         |
|--|-------------------------|
| Cash and Cash Equivalents                                    |                         |
| Unrestricted   | \$ 9,047,441            |
| Restricted   | 2,736,270               |
| Investments  |                         |
| Restricted   | 1,479,514               |
| Receivables  |                         |
| State and Federal Aid  | 11,245,025              |
| E-rate Receivable  | 286,773                 |
| Due from Other Governments                                   | 188,865                 |
| Due from Fiduciary Funds                                     | 147                     |
| Other Receivables  | 2,327,014               |
| Prepaid Expenditures   | 14,271                  |
| Net Pension Asset - Proportionate Share                      | 911,303                 |
| Capital Assets, Net  | 27,462,826              |
| <b>TOTAL ASSETS</b>  | <b>\$ 55,699,449</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                        |                         |
| Other Postemployment Benefits                                | \$ 3,912,746            |
| Pensions   | 14,773,278              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>\$ 18,686,024</b>    |
| <b>LIABILITIES</b>   |                         |
| Payables   |                         |
| Accounts Payable   | \$ 1,144,701            |
| Accrued Liabilities  | 212,926                 |
| Due to Other Governments                                     | 42,213                  |
| Due to Teachers' Retirement System                           | 2,128,666               |
| Due to Employees' Retirement System                          | 354,290                 |
| Due to School Districts                                      | 13,477,688              |
| Bond Interest and Principal Payable, Net of Prepaid Interest | 1,155,194               |
| Notes Payable  |                         |
| Revenue Anticipation   | 5,500,000               |
| Long-Term Liabilities  |                         |
| Due and Payable Within One Year                              |                         |
| Bonds Payable, Net of Unamortized Premiums                   | 1,162,371               |
| Installment Purchase Debt Payable                            | 362,628                 |
| Due and Payable After One Year                               |                         |
| Bonds Payable, Net of Unamortized Premiums                   | 10,028,373              |
| Installment Purchase Debt Payable                            | 761,179                 |
| Compensated Absences Payable                                 | 1,643,550               |
| Other Postemployment Benefits Payable                        | 187,953,018             |
| Net Pension Liability - Proportionate Share                  | 958,646                 |
| <b>TOTAL LIABILITIES</b>                                     | <b>\$ 226,885,443</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                         |
| Other Postemployment Benefits                                | \$ 24,004,405           |
| Pensions   | 5,646,130               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                   | <b>\$ 29,650,535</b>    |
| <b>NET POSITION</b>  |                         |
| Net Investment in Capital Assets                             | \$ 15,148,275           |
| Restricted for   |                         |
| Debt Service   | 299,986                 |
| Other Legal Restrictions                                     | 2,736,270               |
| Unrestricted (Deficit)                                       | (200,335,036)           |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ (182,150,505)</b> |

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, 2018

|   |                      | <b>Program Revenues</b> |                     | <b>Net (Expenses)</b>   |
|---|----------------------|-------------------------|---------------------|-------------------------|
|   |                      | <b>Charges for</b>      | <b>Operating</b>    | <b>Revenues and</b>     |
|   | <b>Expenses</b>      | <b>Services</b>         | <b>Grants</b>       | <b>Changes in</b>       |
|   |                      |                         |                     | <b>Net Position</b>     |
| <b>FUNCTIONS/PROGRAMS</b>                     |                      |                         |                     |                         |
| Administration                                | \$ 7,302,877         | \$ 8,244,505            | \$ -                | \$ 941,628              |
| Occupational Instruction                      | 12,269,961           | 9,441,759               | 1,126,849           | (1,701,353)             |
| Instruction for Special Education             | 26,039,651           | 21,690,216              | 2,542,461           | (1,806,974)             |
| Itinerant Services                            | 4,204,912            | 3,904,314               | -                   | (300,598)               |
| General Instruction                           | 3,824,447            | 2,284,357               | 567,270             | (972,820)               |
| Instructional Support                         | 10,578,468           | 9,280,604               | 590,935             | (706,929)               |
| Other Services                                | 10,297,378           | 9,709,864               | 142,618             | (444,896)               |
| Total Functions and Programs                  | <u>\$ 74,517,694</u> | <u>\$ 64,555,619</u>    | <u>\$ 4,970,133</u> | <u>(4,991,942)</u>      |
| <b>GENERAL REVENUES</b>                       |                      |                         |                     |                         |
| Use of Money and Property                     |                      |                         |                     | 25,131                  |
| Loss on Disposition of Property               |                      |                         |                     | 274,879                 |
| Miscellaneous                                 |                      |                         |                     | <u>1,427,712</u>        |
| Total General Revenues                        |                      |                         |                     | <u>1,727,722</u>        |
| Other Changes in Net Position                 |                      |                         |                     | <u>(3,300,564)</u>      |
| Change in Net Position                        |                      |                         |                     | <u>(6,564,784)</u>      |
| Net Position - Beginning of Year, as Restated |                      |                         |                     | <u>(175,585,721)</u>    |
| Net Position - End of Year                    |                      |                         |                     | <u>\$ (182,150,505)</u> |

See notes to audited basic financial statements.

**ST. LAWRENCE-LEWIS COUNTIES BOCES**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2018

|  | <u>General</u>       | <u>Special<br/>Aid</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|------------------------|-----------------------------|---|
| <b>ASSETS</b>                              |                      |                        |                             |   |
| Cash and Cash Equivalents                  |                      |                        |                             |   |
| Unrestricted                               | \$ 8,686,573         | \$ 276,107             | \$ 84,761                   | \$ 9,047,441                            |
| Restricted                                 | 2,425,677            | -                      | 310,593                     | 2,736,270                               |
| Investments                                |                      |                        |                             |   |
| Restricted                                 | 1,179,528            | -                      | 299,986                     | 1,479,514                               |
| Receivables                                |                      |                        |                             |   |
| State and Federal Aid                      | 10,300,893           | 944,132                | -                           | 11,245,025                              |
| E-Rate                                     | 286,773              | -                      | -                           | 286,773                                 |
| Due from Other Governments                 | -                    | 188,865                | -                           | 188,865                                 |
| Due from Other Funds                       | 1,302,038            | -                      | 208,689                     | 1,510,727                               |
| Due from Fiduciary Funds                   | 147                  | -                      | -                           | 147                                     |
| Other                                      | 2,301,212            | 25,802                 | -                           | 2,327,014                               |
| Prepaid Expenditures                       | 14,271               | -                      | -                           | 14,271                                  |
| <b>TOTAL ASSETS</b>                        | <u>\$ 26,497,112</u> | <u>\$ 1,434,906</u>    | <u>\$ 904,029</u>           | <u>\$ 28,836,047</u>                    |
| <b>LIABILITIES</b>                         |                      |                        |                             |   |
| Payables                                   |                      |                        |                             |   |
| Accounts Payable                           | \$ 1,056,568         | \$ 88,133              | \$ -                        | \$ 1,144,701                            |
| Accrued Liabilities                        | 146,888              | 66,038                 | -                           | 212,926                                 |
| Due to Other Governments                   | 4,847                | 37,366                 | -                           | 42,213                                  |
| Due to Other Funds                         | 208,689              | 1,302,038              | -                           | 1,510,727                               |
| Due to Teachers' Retirement System         | 2,128,666            | -                      | -                           | 2,128,666                               |
| Due to Employees' Retirement System        | 354,290              | -                      | -                           | 354,290                                 |
| Due to School Districts                    | 13,477,688           | -                      | -                           | 13,477,688                              |
| Bond Interest and Principal Payable        | 1,179,528            | -                      | -                           | 1,179,528                               |
| Note Payable                               |                      |                        |                             |   |
| Revenue Anticipation                       | 5,500,000            | -                      | -                           | 5,500,000                               |
| Total Liabilities                          | <u>24,057,164</u>    | <u>1,493,575</u>       | <u>-</u>                    | <u>25,550,739</u>                       |
| <b>FUND BALANCES (DEFICIT)</b>             |                      |                        |                             |   |
| Nonspendable                               | 14,271               | -                      | -                           | 14,271                                  |
| Restricted                                 | 2,425,677            | -                      | 610,579                     | 3,036,256                               |
| Assigned                                   | -                    | -                      | 293,450                     | 293,450                                 |
| Unassigned (Deficit)                       | -                    | (58,669)               | -                           | (58,669)                                |
| Total Fund Balances (Deficit)              | <u>2,439,948</u>     | <u>(58,669)</u>        | <u>904,029</u>              | <u>3,285,308</u>                        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 26,497,112</u> | <u>\$ 1,434,906</u>    | <u>\$ 904,029</u>           | <u>\$ 28,836,047</u>                    |

See notes to audited basic financial statements.



**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION**

June 30, 2018

**Total Fund Balance - Governmental Funds** \$ 3,285,308

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

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

|   |           |
|---|-----------|
| Net Pension Asset - Proportionate Share - TRS     | 911,303   |
| Net Pension Liability - Proportionate Share - ERS | (958,646) |

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

|                               |                  |              |
|-------------------------------|------------------|--------------|
| Other Postemployment Benefits | \$ 24,004,405    |              |
| Pensions                      | <u>5,646,130</u> | (29,650,535) |

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

|                               |                   |            |
|-------------------------------|-------------------|------------|
| Other Postemployment Benefits | 3,912,746         |            |
| Pensions                      | <u>14,773,278</u> | 18,686,024 |

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

|                               |                     |            |
|-------------------------------|---------------------|------------|
| The Cost of Capital Assets is | 45,060,658          |            |
| Accumulated Depreciation is   | <u>(17,597,832)</u> | 27,462,826 |

|  |           |
|--|-----------|
| Unamortized premiums on bond issuances are not recognized in the governmental funds. | (242,169) |
|--|-----------|

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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF  
NET POSITION - CONTINUED**

June 30, 2018

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:

|                                       |                    |                      |
|---------------------------------------|--------------------|----------------------|
| Bonds Payable                         | \$ 10,948,575      |                      |
| (Prepaid) Interest on Bonds Payable   | (24,334)           |                      |
| Installment Purchase Debt Payable     | 1,123,807          |                      |
| Compensated Absences Payable          | 1,643,550          |                      |
| Other Postemployment Benefits Payable | <u>187,953,018</u> | <u>(201,644,616)</u> |

|   |  |                                |
|---|--|--------------------------------|
| <b>Total Net Position - Governmental Activities</b> |  | <u><u>\$ (182,150,505)</u></u> |
|---|--|--------------------------------|

**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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

Year Ended June 30, 2018

|   | <b>General</b>      | <b>Special<br/>Aid</b> | <b>Capital<br/>Projects</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---------------------|------------------------|-----------------------------|---|
| <b>REVENUES</b>   |                     |                        |                             |   |
| Charges for Services  | \$ 11,567           | \$ 423,714             | \$ -                        | \$ 435,281                              |
| Charges to Components   | 63,577,433          | -                      | -                           | 63,577,433                              |
| Charges to Other BOCES  | 966,619             | -                      | -                           | 966,619                                 |
| Use of Money and Property   | 15,784              | -                      | 9,347                       | 25,131                                  |
| Sale of Property and Compensation for Loss  | 265,616             | 9,263                  | -                           | 274,879                                 |
| Miscellaneous   | 1,200,599           | 2,678,009              | -                           | 3,878,608                               |
| State Sources   | 11,500              | 1,482,429              | -                           | 1,493,929                               |
| Federal Sources   | -                   | 622,696                | -                           | 622,696                                 |
| Total Revenues  | <u>66,049,118</u>   | <u>5,216,111</u>       | <u>9,347</u>                | <u>71,274,576</u>                       |
| <b>EXPENDITURES</b>   |                     |                        |                             |   |
| Administration  | 7,785,145           | -                      | -                           | 7,785,145                               |
| Occupational Instruction  | 9,643,541           | 1,087,193              | -                           | 10,730,734                              |
| Instruction for Special Education   | 20,450,541          | 2,746,703              | -                           | 23,197,244                              |
| Itinerant Services  | 3,698,364           | -                      | -                           | 3,698,364                               |
| General Instruction   | 2,770,851           | 469,470                | -                           | 3,240,321                               |
| Instructional Support   | 8,849,174           | 733,261                | -                           | 9,582,435                               |
| Other Services  | 9,429,707           | 142,617                | -                           | 9,572,324                               |
| Capital Outlay  | -                   | -                      | 650,910                     | 650,910                                 |
| Total Expenditures  | <u>62,627,323</u>   | <u>5,179,244</u>       | <u>650,910</u>              | <u>68,457,477</u>                       |
| Excess (Deficiency) of Revenues<br>Over Expenditures  | <u>3,421,795</u>    | <u>36,867</u>          | <u>(641,563)</u>            | <u>2,817,099</u>                        |
| <b>OTHER FINANCING SOURCES AND (USES)</b>   |                     |                        |                             |   |
| Operating Transfers In  | 5,000               | -                      | 250,000                     | 255,000                                 |
| Operating Transfers (Out)   | (250,000)           | -                      | (5,000)                     | (255,000)                               |
| Total Other Financing Sources and (Uses)  | <u>(245,000)</u>    | <u>-</u>               | <u>245,000</u>              | <u>-</u>                                |
| Excess (Deficiency) of Revenues and Other<br>Financing Sources Over Expenditures and Other (Uses) | <u>3,176,795</u>    | <u>36,867</u>          | <u>(396,563)</u>            | <u>2,817,099</u>                        |
| <b>OTHER CHANGES IN FUND BALANCES</b>   |                     |                        |                             |   |
| Refund of Surplus Unpaid  | (3,176,795)         | -                      | -                           | (3,176,795)                             |
| Employee Benefit Accrued Liability  | (107,919)           | -                      | -                           | (107,919)                               |
| Reserve for Unemployment Insurance  | (15,850)            | -                      | -                           | (15,850)                                |
| Plus - Encumbrance, Ending  | -                   | -                      | -                           | -                                       |
| Less - Encumbrances, Beginning  | -                   | -                      | -                           | -                                       |
| Total Other Changes in Fund Balances  | <u>(3,300,564)</u>  | <u>-</u>               | <u>-</u>                    | <u>(3,300,564)</u>                      |
| Net Change in Fund Balances   | <u>(123,769)</u>    | <u>36,867</u>          | <u>(396,563)</u>            | <u>(483,465)</u>                        |
| Fund Balances (Deficit) - Beginning of Year   | <u>2,563,717</u>    | <u>(95,536)</u>        | <u>1,300,592</u>            | <u>3,768,773</u>                        |
| Fund Balances (Deficit) - End of Year   | <u>\$ 2,439,948</u> | <u>\$ (58,669)</u>     | <u>\$ 904,029</u>           | <u>\$ 3,285,308</u>                     |

See notes to audited basic financial statements.



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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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

Year Ended June 30, 2018

**Net Change in Fund Balances - Total Governmental Funds** \$ (483,465)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial, 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. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period.

|                      |                    |           |
|----------------------|--------------------|-----------|
| Capital Outlays      | \$ 2,154,310       |           |
| Loss on Disposals    | (314,979)          |           |
| Depreciation Expense | <u>(2,250,410)</u> | (411,079) |

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.

962,129

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  | \$ 16,738        |           |
| Amortization of Bond Premium and Deferred Charge<br>on Bond Refunding | (30,392)         |           |
| Deferred Charge on Bond Refunding Write-Off                           | <u>(433,504)</u> | (447,158) |

On the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) -- 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).

(11,221)

On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits.

(5,817,504)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows 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  | \$ (398,138)  |                  |
| Employees' Retirement System | <u>41,652</u> | <u>(356,486)</u> |

**Change in Net Position of Governmental Activities** \$ (6,564,784)

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See notes to audited basic financial statements.

**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2018

**Agency****ASSETS**

Cash and Cash Equivalents

Unrestricted

\$ 170

Restricted

21,604,967

Total Assets

\$ 21,605,137**LIABILITIES**

Due to Governmental Funds

\$ 147

Due to Others -Workers Comp/Medical Plans

21,604,967

Other Liabilities

23

Total Liabilities

\$ 21,605,137

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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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, 2018

**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, while the capital grants column reflects capital-specific grants.

The *Statement of Net Position* presents the financial position of the BOCES at fiscal year-end. 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.

**Fund 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.

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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Basis of Presentation - Continued**

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 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.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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 11 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 Cash Equivalents**

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

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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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 \$14,271 in the General Fund which represents the BOCES contribution 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.

**Other Assets/Restricted Assets**

In the BOCES-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**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.

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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Capital Assets - Continued**

|                       | <b>Capitalization<br/>Threshold</b> | <b>Depreciation<br/>Model</b> | <b>Estimated<br/>Useful Life</b> |
|-----------------------|-------------------------------------|-------------------------------|----------------------------------|
| Site Improvements     | \$5,000                             | Straight-line                 | 10-20                            |
| Buildings             | 5,000                               | Straight-line                 | 15-50                            |
| Furniture & Equipment | 5,000                               | Straight-line                 | 3-15                             |
| Capital Leases        | 5,000                               | Straight-line                 | 2-5                              |

The BOCES does not possess any infrastructure.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the BOCES' contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

In addition to liabilities, the *Statement of Net Position* or Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the BOCES-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**Other Benefits**

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

BOCES employees may choose to participate in the BOCES' elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the BOCES provides postemployment 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 RAN's 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, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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 fund 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.

**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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Equity Classifications - Continued**

**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.

Fund 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.

**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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued****Equity Classifications - Continued****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 | \$ 870,225          |
| Retirement Contributions           | 682,317             |
| Unemployment Insurance             | 873,135             |
| Capital Fund                       |                     |
| Advanced Technical Equipment       | 310,593             |
| Debt Reserve - DASNY               | 299,986             |
| Total Restricted Funds             | <u>\$ 3,036,256</u> |



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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, 2018.

**Assigned** - Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**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 and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

**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, 2018, the BOCES implemented the following new statement issued by GASB:

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



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Future Changes in Accounting Standards**

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

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

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

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**

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Due to the differences in the measurement focus and basis of accounting used in the fund statements and the BOCES-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the 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 District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

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

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**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, 2018

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

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For the fiscal year ended June 30, 2018, the BOCES implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires BOCES' to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 18 for the financial statement impact of the implementation of the statement.

**NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**Budgets**

Section 1950 of the Education Law requires adoption of final budget by no later than May 15<sup>th</sup> 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.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 4 – STEWARDSHIP, COMPLIANCE AND  
ACCOUNTABILITY - Continued**

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**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.

**Other**

The Special Aid Fund shows an unassigned deficit fund balance of \$58,669. This deficit results mostly from accumulation of unfunded expenditures relating to the Beginning Years Programs.

**NOTE 5 – CASH AND CASH EQUIVALENTS – CUSTODIAL  
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE  
AND FOREIGN CURRENCY RISKS**

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**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>34,650,407</u></u> |

Deposits at year-end were fully collateralized.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 5 – CASH AND CASH EQUIVALENTS – CUSTODIAL  
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE  
AND FOREIGN CURRENCY RISKS - Continued**

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**Cash - Continued**

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 \$2,736,270 within the governmental funds and \$21,604,967 in the fiduciary fund.

**NOTE 6 – INVESTMENTS**

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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.

Total investments as of year-end were valued at an amortized cost of \$1,179,528 in the General Fund and \$299,986 in the Capital Projects 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.

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

## NOTE 7 – CAPITAL ASSETS - Continued

Capital asset balances and activity were as follows:

| Governmental Activities                  | Beginning<br>Balance | Additions          | Retirements /<br>Reclassifications | Ending<br>Balance    |
|--|----------------------|--------------------|------------------------------------|----------------------|
| Capital Assets That Are Not Depreciated: |                      |                    |                                    |                      |
| Land                                     | \$ 576,295           | \$ -               | \$ -                               | \$ 576,295           |
| Construction-in-Progress                 | 198,806              | 650,910            | (849,716)                          | -                    |
| Total Nondepreciable Assets              | <u>775,101</u>       | <u>650,910</u>     | <u>(849,716)</u>                   | <u>576,295</u>       |
| Capital Assets That Are Depreciated:     |                      |                    |                                    |                      |
| Site Improvements                        | 1,533,236            | -                  | 849,716                            | 2,382,952            |
| Buildings & Improvements                 | 30,836,815           | -                  | -                                  | 30,836,815           |
| Furniture and Equipment                  | 7,752,555            | 375,001            | (416,400)                          | 7,711,156            |
| Capital Leases                           | 3,322,812            | 1,128,399          | (897,771)                          | 3,553,440            |
| Total Depreciable Assets                 | <u>43,445,418</u>    | <u>1,503,400</u>   | <u>(464,455)</u>                   | <u>44,484,363</u>    |
| Less: Accumulated Depreciation           |                      |                    |                                    |                      |
| Site Improvements                        | 740,279              | 80,954             | -                                  | 821,233              |
| Buildings & Improvements                 | 8,001,542            | 887,124            | -                                  | 8,888,666            |
| Furniture and Equipment                  | 5,811,908            | 428,485            | (412,221)                          | 5,828,172            |
| Capital Leases                           | 1,792,885            | 853,847            | (586,971)                          | 2,059,761            |
| Total Accumulated Depreciation           | <u>16,346,614</u>    | <u>2,250,410</u>   | <u>(999,192)</u>                   | <u>17,597,832</u>    |
| Total Depreciable Assets, Net            | <u>27,098,804</u>    | <u>(747,010)</u>   | <u>534,737</u>                     | <u>26,886,531</u>    |
| Capital Assets, Net                      | <u>\$ 27,873,905</u> | <u>\$ (96,100)</u> | <u>\$ (314,979)</u>                | <u>\$ 27,462,826</u> |

Depreciation expense was charged as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Administrative                    | \$ 24,643           |
| Occupational Instruction          | 723,261             |
| Instruction for Special Education | 64,534              |
| Itinerant Services                | 2,755               |
| General Instruction               | 252,930             |
| Instructional Support             | 1,084,309           |
| Other Services                    | <u>97,978</u>       |
| Total Depreciation Expense        | <u>\$ 2,250,410</u> |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 8 – SHORT TERM DEBT**

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

|     | <b>Maturity</b> | <b>Interest<br/>Rate</b> | <b>Beginning<br/>Balance</b> | <b>Issued</b>       | <b>Redeemed</b>     | <b>Ending Balance</b> |
|-----|-----------------|--------------------------|------------------------------|---------------------|---------------------|-----------------------|
| RAN | 6/22/2018       | 2.25%                    | \$ 5,500,000                 | \$ -                | \$ 5,500,000        | \$ -                  |
| RAN | 6/21/2019       | 2.75%                    | -                            | 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                              | \$ 123,406        |
| Less: Interest Accrued in the Prior Year   | -                 |
| Plus: Interest Accrued in the Current Year | -                 |
|  | <u>-</u>          |
| Total Expense                              | <u>\$ 123,406</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, 2018

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS**

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

| <b>Governmental Activities</b>                          | <b>Beginning<br/>Balances</b> | <b>Additions</b>  | <b>Reductions</b>    | <b>Ending<br/>Balances</b> | <b>Amount<br/>Due Within<br/>One Year</b> |
|---|-------------------------------|-------------------|----------------------|----------------------------|---|
| <b>Bonds and Notes Payable</b>                          |                               |                   |                      |                            |   |
| <b>General Obligation Debt</b>                          |                               |                   |                      |                            |   |
| Municipal Lease Obligation                              | \$ 281,059                    | \$ -              | \$ 137,484           | \$ 143,575                 | \$ 143,575                                |
| NYS Dormitory Authority Bonds                           | 11,770,000                    | -                 | 965,000              | 10,805,000                 | 995,000                                   |
| Premium on Bonds  | 265,965                       | -                 | 23,796               | 242,169                    | 23,796                                    |
| Lease - Purchase Obligations                            | 983,452                       | 505,766           | 365,411              | 1,123,807                  | 362,628                                   |
| <b>Total Bonds &amp; Notes Payable</b>                  | <b>13,300,476</b>             | <b>505,766</b>    | <b>1,491,691</b>     | <b>12,314,551</b>          | <b>1,524,999</b>                          |
| <b>Other Liabilities</b>                                |                               |                   |                      |                            |   |
| Compensated Absences Payable                            | 1,632,329                     | 11,221            | -                    | 1,643,550                  | -   |
| Other Postemployment<br>Benefits Liability, as Restated | 205,899,842                   | -                 | 17,946,824           | 187,953,018                | -   |
| Net Pension Liability - Proportionate<br>Share          | 2,739,484                     | -                 | 1,780,838            | 958,646                    | -   |
| <b>Total Other Liabilities</b>                          | <b>210,271,655</b>            | <b>11,221</b>     | <b>19,727,662</b>    | <b>190,555,214</b>         | <b>-</b>                                  |
| <b>Total Governmental Activities</b>                    | <b>\$ 223,572,131</b>         | <b>\$ 516,987</b> | <b>\$ 21,219,353</b> | <b>\$ 202,869,765</b>      | <b>\$ 1,524,999</b>                       |

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

Existing serial and statutory bond obligations:

| <b>Description</b>                   | <b>Issue Date</b> | <b>Final Maturity</b> | <b>Interest Rate<br/>(%)</b> | <b>Balance</b>       |
|--------------------------------------|-------------------|-----------------------|------------------------------|----------------------|
| Municipal Lease Serial Bonds - 2003  | 06/13/03          | 03/01/19              | 4.38%                        | \$ 143,575           |
| NYS Dormitory Authority Bonds - 2011 | 07/22/11          | 08/15/30              | 2.5-5.625%                   | 4,820,000            |
| NYS Dormitory Authority Bonds - 2015 | 06/10/15          | 08/15/26              | 2-5%                         | 5,985,000            |
|                                      |                   |                       |                              | <u>\$ 10,948,575</u> |



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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9 – LONG-TERM DEBT OBLIGATIONS - Continued**

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The following is a summary of debt service requirements for the year-end June 30:

|           | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|-----------|----------------------|---------------------|----------------------|
| 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      | 1,115,000            | 279,100             | 1,394,100            |
| 2024-2028 | 4,495,000            | 790,675             | 5,285,675            |
| 2029-2030 | <u>1,020,000</u>     | <u>86,906</u>       | <u>1,106,906</u>     |
| Total     | <u>\$ 10,948,575</u> | <u>\$ 2,556,562</u> | <u>\$ 13,505,137</u> |

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

|  |                   |
|--|-------------------|
| Interest Paid                              | \$ 439,882        |
| Plus: Interest Prepaid in the Prior Year   | 7,596             |
| Less: Interest Prepaid in the Current Year | <u>(24,334)</u>   |
| Total Expense                              | <u>\$ 423,144</u> |

The following is a summary of capital lease obligations for the year ended June 30, 2018:

|                                   |                     |
|-----------------------------------|---------------------|
| 2019                              | \$ 362,628          |
| 2020                              | 345,911             |
| 2021                              | 268,886             |
| 2022                              | 157,273             |
| 2023                              | <u>99,563</u>       |
| Total Minimum Lease Payments      | 1,234,261           |
| Less Amount Representing Interest | <u>(110,454)</u>    |
| Total                             | <u>\$ 1,123,807</u> |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS**

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**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.

**Teachers' Retirement System (TRS) Plan Description**

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](http://www.nystrs.org).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**Employees' Retirement System (ERS) Plan Description**

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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**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:

*Tier 1*

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

*Tier 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).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**TRS Benefits Provided - Continued**

*Tier 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.

*Tier 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.

*Tier 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.

*Tier 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 Tier 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 2 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.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**TRS Benefits Provided - Continued**

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 previously noted for service retirements.

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 Reinstatement

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**TRS Benefits Provided - Continued**

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2017 is 1.2% compared to 1.0% paid beginning September 2016. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

**ERS Benefits Provided**

Benefits

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

*Tier 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 5 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, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**ERS Benefits Provided - Continued**

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation in the final average salary calculation is limited to no more than 20 percent greater than 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.

*Tier 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 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 Tier 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 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

*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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued**

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**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 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 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

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, 2018

**NOTE 10 – PENSION PLANS - Continued****ERS Benefits Provided - Continued***Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless 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 retiree 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.

**Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The BOCES chose to prepay the required contributions by December 15, 2017 and received an overall discount of \$9,785).

The BOCES' share of the required contributions, based on covered payroll paid for the current and two preceding years were:

|           | <b>NYSTRS</b> | <b>NYSERS</b> |
|-----------|---------------|---------------|
| 2017-2018 | \$ 2,226,686  | \$ 1,152,097  |
| 2016-2017 | 2,481,242     | 1,116,579     |
| 2015-2016 | 3,177,819     | 1,189,665     |

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

## NOTE 10 – PENSION PLANS - Continued

## Funding Policies - 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.

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

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

|  | ERS            | TRS           |
|--|----------------|---------------|
| Measurement Date   | March 31, 2018 | June 30, 2017 |
| BOCES' Proportionate Share of the Net Pension Asset (Liability)      | \$ (958,646)   | \$ 911,303    |
| BOCES' Portion (%) of the Plan's Total Net Pension Asset (Liability) | 0.0297029%     | 0.119893%     |
| Change in Proportion (%) Since the Prior Measurement Date            | 0.0005477%     | -0.001371%    |

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

## NOTE 10 – PENSION PLANS - Continued

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

For the year ended June 30, 2018, the BOCES' recognized pension expense (credit) of \$(41,652) for ERS and \$398,138 for TRS. At June 30, 2018, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources |                      | Deferred Inflows of Resources |                     |
|---|--------------------------------|----------------------|-------------------------------|---------------------|
|   | ERS                            | TRS                  | ERS                           | TRS                 |
| Differences Between Expected and Actual Experience  | \$ 341,918                     | \$ 749,778           | \$ 282,548                    | \$ 355,306          |
| Changes of Assumptions  | 635,661                        | 9,272,684            | -                             | -                   |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                                | 1,392,357                      | -                    | 2,748,373                     | 2,146,382           |
| Changes in Proportion and Differences Between the BOCES' Contributions and Proportionate Share of Contributions | 40,192                         | 84,810               | 64,167                        | 49,354              |
| BOCES' Contributions Subsequent to the Measurement Date   | 354,290                        | 1,901,588            | -                             | -                   |
| Total   | <u>\$ 2,764,418</u>            | <u>\$ 12,008,860</u> | <u>\$ 3,095,088</u>           | <u>\$ 2,551,042</u> |

BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2019, if applicable. 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        |
|------------|------------|------------|
| 2019       | \$ 190,296 | \$ 220,343 |
| 2020       | 143,485    | 2,462,725  |
| 2021       | (697,977)  | 1,765,055  |
| 2022       | (320,764)  | 445,284    |
| 2023       | -          | 1,759,947  |
| Thereafter | -          | 902,876    |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - Continued****Actuarial Assumptions**

The total pension asset (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:

|                          | <b>ERS</b>   | <b>TRS</b>   |
|--------------------------|--|--|
| Measurement Date         | March 31, 2018   | June 30, 2017  |
| Actuarial Valuation Date | April 1, 2017  | June 30, 2016  |
| Interest Rate            | 7.00%  | 7.25%  |
| Salary Scale             | 3.8%   | 1.9% - 4.72%   |
| Decrement Tables         | April 1, 2010 -<br>March 31, 2015<br>System's Experience | July 1, 2009 -<br>June 30, 2014<br>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 Society of Actuaries' Scale 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 MP-2014.

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

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 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:



## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

## NOTE 10 – PENSION PLANS - Continued

## Actuarial Assumptions - Continued

|                                    | ERS            | TRS           |
|------------------------------------|----------------|---------------|
| Measurement Date                   | March 31, 2018 | June 30, 2017 |
| Asset Type                         |                |               |
| Domestic Equity                    | 4.55%          | 5.90%         |
| International Equity               | 6.35%          | 7.40%         |
| Private Equity                     | 7.50%          |               |
| Real Estate                        | 5.55%          | 4.30%         |
| Absolute Return Strategies         | 3.75%          |               |
| Opportunistic Portfolio            | 5.68%          |               |
| Real Assets                        | 5.29%          |               |
| Bonds and Mortgages                | 1.31%          |               |
| Cash                               | -0.25%         |               |
| Inflation - Indexed Bonds          | 1.25%          |               |
| Alternative Investments            |                | 9.00%         |
| Domestic Fixed Income Securities   |                | 1.60%         |
| Global Fixed Income Securities     |                | 1.30%         |
| Short-Term                         |                | 0.60%         |
| Mortgages                          |                | 2.80%         |
| High-Yield Fixed Income Securities |                | 3.90%         |

## Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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).

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

## NOTE 10 – PENSION PLANS - 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 7.00% for ERS and 7.25% for TRS, as well as what the BOCES' proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

| ERS  | 1% Decrease<br>(6.00%) | Current<br>Assumption<br>(7.00%) | 1% Increase<br>(8.00%) |
|--|------------------------|----------------------------------|------------------------|
| Employer's Proportionate Share of the<br>Net Pension Asset (Liability) | \$ (7,253,373)         | \$ (958,646)                     | \$ 4,366,442           |
| TRS  | 1% Decrease<br>(6.25%) | Current<br>Assumption<br>(7.25%) | 1% Increase<br>(8.25%) |
| Employer's Proportionate Share of the<br>Net Pension Asset (Liability) | \$ (15,699,049)        | \$ 911,303                       | \$ 14,821,648          |

**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) |                  |                  |
|---|------------------------|------------------|------------------|
|   | ERS                    | TRS              | Total            |
| Measurement Date  | March 31, 2018         | June 30, 2017    |                  |
| Employer's Total Pension Asset (Liability)                                      | \$ (183,400,590)       | \$ (114,708,261) | \$ (298,108,851) |
| Plan Net Position   | 180,173,145            | 115,468,360      | 295,641,505      |
| Employer's Net Pension Asset (Liability)  | \$ (3,227,445)         | \$ 760,099       | \$ (2,467,346)   |
| Ratio of Plan Net Position to the<br>Employer's Total Pension Asset (Liability) | 98.24%                 | 100.66%          |                  |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10 – PENSION PLANS - 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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$354,290. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$2,128,666.

**NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS**

Interfund balances at June 30, 2018 are as follows:

|                          | <b>Interfund</b>    |                     | <b>Interfund</b>  |                     |
|--------------------------|---------------------|---------------------|-------------------|---------------------|
|                          | <b>Receivables</b>  | <b>Payables</b>     | <b>Revenues</b>   | <b>Expenditures</b> |
| General                  | \$ 1,302,185        | \$ 208,689          | \$ 5,000          | \$ 250,000          |
| Special Aid              | -                   | 1,302,038           | -                 | -                   |
| Capital Projects         | 208,689             | -                   | 250,000           | 5,000               |
| Total Governmental Funds | 1,510,874           | 1,510,727           | 255,000           | 255,000             |
| Fiduciary                | -                   | 147                 | -                 | -                   |
| Total                    | <u>\$ 1,510,874</u> | <u>\$ 1,510,874</u> | <u>\$ 255,000</u> | <u>\$ 255,000</u>   |

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 12 – FUND BALANCE EQUITY**

The following is a summary of the Governmental Funds fund balances (deficits) of the BOCES at the year ended June 30, 2018:

|  | General            | Special Aid        | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------|---------------------|--------------------------------|
| Nonspendable                                   | \$ 14,271          | \$ -               | \$ -                | \$ 14,271                      |
| Restricted                                     |                    |                    |                     |                                |
| Employee Benefit Accrued Liability             | 870,225            | -                  | -                   | 870,225                        |
| Retirement Contributions                       | 682,317            | -                  | -                   | 682,317                        |
| Unemployment Insurance                         | 873,135            | -                  | -                   | 873,135                        |
| Advanced Technical Equipment                   | -                  | -                  | 310,593             | 310,593                        |
| Debt Reserve - DASNY                           | -                  | -                  | 299,986             | 299,986                        |
| Assigned                                       |                    |                    |                     |                                |
| Capital Fund                                   | -                  | -                  | 293,450             | 293,450                        |
| Unassigned (Deficit)                           |                    |                    |                     |                                |
| Special Aid                                    | -                  | (58,669)           | -                   | (58,669)                       |
|  | <u>-</u>           | <u>(58,669)</u>    | <u>-</u>            | <u>(58,669)</u>                |
| Total Governmental Fund Balances<br>(Deficits) | <u>\$2,439,948</u> | <u>\$ (58,669)</u> | <u>\$ 904,029</u>   | <u>\$ 3,285,308</u>            |

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS**

**General Information about the OPEB Plan**

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

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



## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****General Information about the OPEB Plan - Continued**

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

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 341               |
| Inactive employees entitled to but not yet receiving benefit payments    | -                 |
| Active employees   | <u>541</u>        |
| Total Covered Employees  | <u><u>882</u></u> |

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). The Plan allows eligible BOCES' employees and spouses to continue health coverage upon retirement. Separate financial statements are issued for the Plan.

All active employees and retirees are subject to the following eligibility and contribution requirements:

Administration

- Eligibility for postretirement benefits for NYS TRS and NYS ERS employees requires a minimum age of 55 with at least 10 years of service with the BOCES or one of its component districts.
- All retirees who retire prior to 7/1/2017 are required to contribute 0% of the individual premium. All retirees who retire on or after 7/1/2017 are required to contribute 10% of the individual plan premium amount.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

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**General Information about the OPEB Plan - Continued**

Federation

- NYS TRS members retiring on or after 7/1/2022 must have at least 10 years of continuous service with the BOCES. All other members retiring prior to 7/1/2022 must be at least age 55 with at least 5 years of service to be eligible for the BOCES postemployment health plan.
- All retirees are required to contribute 0% of the individual premium.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

Support Staff

- NYS ERS employees must be at least age 55 with at least 10 years of service with the BOCES to be eligible for the BOCES postemployment health plan.
- All retirees who retire prior to 7/1/2017 are required to contribute 0% of the individual premium. All retirees who retire on or after 7/1/2017 are required to contribute 5% of the individual plan premium amount.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

Teachers

- NYS TRS employees must be at least age 55 with at least 10 years of service with the BOCES to be eligible for the BOCES postemployment health plan.
- All retirees are required to contribute 0% of the individual premium.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****General Information about the OPEB Plan - Continued**

The BOCES reimburses the full Medicare Part B amount for all retirees and dependents eligible for postemployment health insurance benefits. Surviving spouses do not receive reimbursements.

The BOCES recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2018, the BOCES recognized \$4,331,002 for its share of insurance premiums for currently retired employees.

**Total OPEB Liability**

The BOCES has obtained an actuarial valuation report as of June 30, 2018 which indicates that the total liability for other postemployment benefits is \$187,953,018 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions**

|                               |          |
|-------------------------------|----------|
| Measurement Date              | 07/01/17 |
| Rate of Compensation Increase | 3.00%    |
| Inflation Rate                | 2.20%    |
| Discount Rate                 | 3.60%    |

**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<br>(the Ultimate Trend Rate) | 3.84% |
| Fiscal Year that the Rate Reaches the Ultimate Trend Rate                            | 2087  |

**Additional Information**

|  |                  |
|--|------------------|
| Actuarial Cost Method                              | Entry Age Normal |
| Amortization Method                                | Level Percentage |
| Amortization Period (in Years)                     | 6.46             |
| Method used to determine Actuarial Value of Assets | N/A              |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****Total OPEB Liability - Continued**

The discount rate was based on the Bond Buyer Weekly 20-Bond Go Index as of July 1, 2017.

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backwards to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2015 mortality improvement on a full generational basis.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

**Changes in the Total OPEB Liability**

|  |                              |
|--|------------------------------|
| Balance at June 30, 2017, as Restated  | \$ 205,899,842               |
| Changes for the Year                   |                              |
| Service Cost                           | 8,080,556                    |
| Interest                               | 6,046,105                    |
| Changes of Assumptions or Other Inputs | (28,400,816)                 |
| Benefit Payments                       | <u>(3,672,669)</u>           |
| Net Changes                            | <u>(17,946,824)</u>          |
| Balance at June 30, 2018               | <u><u>\$ 187,953,018</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent on July 1, 2016 to 3.60 percent on July 1, 2017.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.60 percent) or 1 percentage point higher (4.60 percent) than the current discount rate:

|                      | 1% Decrease<br>2.60%         | Discount Rate<br>3.60%       | 1% Increase<br>4.60%         |
|----------------------|------------------------------|------------------------------|------------------------------|
| Total OPEB Liability | <u><u>\$ 227,115,911</u></u> | <u><u>\$ 187,953,018</u></u> | <u><u>\$ 157,544,673</u></u> |



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****Changes in the Total OPEB Liability - Continued**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.84 percent) or 1 percentage point higher (4.84 percent) than the current healthcare cost trend rate:

|                      | 1% Decrease<br>Healthcare Cost<br>Trend Rates<br>(Trend Less 1%<br>Decreasing to<br>2.84%) | Healthcare Cost<br>Trend Rates<br>(Trend<br>Decreasing to<br>3.84%) | 1% Increase<br>Healthcare Cost<br>Trend Rates<br>(Trend Plus 1%<br>Decreasing to<br>4.84%) |
|----------------------|--|---|--|
| Total OPEB Liability | <u>\$ 153,543,250</u>  | <u>\$ 187,953,018</u>   | <u>\$ 233,747,722</u>  |

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,817,504. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of Assumptions or Other Inputs              | \$ -                                 | \$ 24,004,405                       |
| Benefit Payments Subsequent to the Measurement Date | <u>3,912,746</u>                     | <u>-</u>                            |
|   | <u>\$ 3,912,746</u>                  | <u>\$ 24,004,405</u>                |

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 13 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued**

BOCES benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019, if applicable. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,

|            |                        |
|------------|------------------------|
| 2019       | \$ (4,396,411)         |
| 2020       | (4,396,411)            |
| 2021       | (4,396,411)            |
| 2022       | (4,396,411)            |
| 2023       | (4,396,411)            |
| Thereafter | (2,022,350)            |
|            | <u>\$ (24,004,405)</u> |

**NOTE 14 – 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.

**Consortiums and Self-Insured Plans**

The BOCES participates in the St. Lawrence-Lewis Counties School District Healthcare Plan (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 \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the BOCES has essentially transferred all related risk to the pool.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 14 – RISK MANAGEMENT - Continued**

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**Consortiums and Self-Insured Plans – Continued**

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

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 15 – COMMITMENTS AND CONTINGENCIES**

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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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 16 – LEASE OBLIGATIONS**

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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, 2018 was \$274,970.

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

|      |            |
|------|------------|
| 2019 | \$ 281,346 |
| 2020 | 215,575    |
| 2021 | 138,208    |
| 2022 | 93,940     |
| 2023 | 44,904     |
|      | <hr/>      |
|      | \$ 773,973 |
|      | <hr/>      |

**NOTE 17 – OTHER CHANGES IN FUND BALANCE (DEFICIT)**

---

General Fund - The (\$3,300,564) decrease in fund balance for the year ended June 30, 2018 represents the excess of revenues over expenditures net of any reserve income and expenditures as follows:

|   |                |
|---|----------------|
| Refund of Surplus Unpaid to Component Districts | \$ (3,176,795) |
| Changes in Reserve Balances                     |                |
| Employee Benefit Accrued Liability              | (107,919)      |
| Reserve for Unemployment Insurance              | (15,850)       |
| Encumbrances, Beginning of Year                 | -              |
| Encumbrances, End of Year                       | <hr/> -        |
|   | <hr/>          |
|   | \$ (3,300,564) |
|   | <hr/>          |



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 18 – RESTATEMENT OF NET POSITION**

---

Due to the BOCES implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, a one-time prior-period adjustment of \$91,797,504 must be made to the beginning net position to reflect the transition from GASB 45 to GASB 75 as of July 1, 2017. The impact of this change does not flow through the annual OPEB expense calculation. The following details the change in the BOCES' beginning of year net position due to the GASB 75 implementation:

|  |                 |
|--|-----------------|
| Net Position Beginning of Year, as Previously Stated | \$ (83,788,217) |
|--|-----------------|

**GASB Statement No. 75 Adjustments**

|   |              |
|---|--------------|
| Net Increase in TOTAL OPEB Liability - GASB 75 Implementation | (95,470,173) |
|---|--------------|

|  |                  |
|--|------------------|
| Deferred Outflows at July 1, 2017 - Benefit Payments Subsequent to<br>Measurement Date | <u>3,672,669</u> |
|--|------------------|

|   |                                |
|---|--------------------------------|
| Net Position Beginning of Year, as Restated | <u><u>\$ (175,585,721)</u></u> |
|---|--------------------------------|

**NOTE 19 – SUBSEQUENT EVENTS**

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Subsequent events have been evaluated through October 9, 2018, which is the date of the issuance of the financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2018

**Total OPEB Liability**

|  |                              |
|--|------------------------------|
| Service Cost   | \$ 8,080,556                 |
| Interest   | 6,046,105                    |
| Changes in Assumptions and Other Inputs                        | (28,400,816)                 |
| Benefit Payments   | (3,672,669)                  |
| <b>Net Change in Total OPEB Liability</b>                      | <u>(17,946,824)</u>          |
| <b>Total OPEB Liability - Beginning, as Restated</b>           | <u>205,899,842</u>           |
| <b>Total OPEB Liability - Ending</b>                           | <u><u>\$ 187,953,018</u></u> |
| <b>Covered Payroll</b>   | \$ 22,333,571                |
| <b>Total OPEB Liability as a Percentage of Covered Payroll</b> | 841.57%                      |

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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND**

Year Ended June 30, 2018

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> |
|---|----------------------------|-------------------------|
| <b>REVENUES</b>                                       |                            |                         |
| Administration: 001                                   | \$ 8,465,505               | \$ 8,393,599            |
| Occupational Instruction: 100-199                     | 9,510,977                  | 9,814,700               |
| Instruction for Special Education: 200-299            | 21,761,820                 | 21,742,297              |
| Itinerant Services: 300-399                           | 3,893,941                  | 3,926,801               |
| General Instruction: 400-499                          | 2,156,756                  | 2,915,544               |
| Instructional Support: 500-599                        | 6,954,879                  | 9,431,970               |
| Other Services: 600-699                               | 8,693,792                  | 9,824,207               |
| Total Revenues  | <u>61,437,670</u>          | <u>66,049,118</u>       |
|   |                            |                         |
|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> |
| <b>EXPENDITURES</b>                                   |                            |                         |
| Administration: 001                                   | 8,465,505                  | 8,148,599               |
| Occupational Instruction: 100-199                     | 9,510,977                  | 9,814,699               |
| Instruction for Special Education: 200-299            | 21,761,820                 | 21,742,296              |
| Itinerant Services: 300-399                           | 3,893,942                  | 3,926,802               |
| General Instruction: 400-499                          | 2,156,756                  | 2,915,544               |
| Instructional Support: 500-599                        | 6,954,879                  | 9,431,971               |
| Other Services: 600-699                               | 8,693,791                  | 9,824,207               |
| Total Expenditures                                    | <u>61,437,670</u>          | <u>65,804,118</u>       |
|   |                            |                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                            |                         |
| Transfers to Other Funds                              | -                          | (250,000)               |
| Transfers from Other Funds                            | -                          | 5,000                   |
| Total Expenditures and Other Financing Sources (Uses) | <u>61,437,670</u>          | <u>66,049,118</u>       |
|   |                            |                         |
| <b>OTHER CHANGES IN FUND BALANCE</b>                  |                            |                         |
| 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                      | 2,563,717                  | 2,563,717               |
| Fund Balance - End of Year                            | <u>\$ 2,563,717</u>        | <u>\$ 2,563,717</u>     |



**ST. LAWRENCE-LEWIS COUNTIES BOCES**

| <u>Actual</u>     | <u>Final Budget<br/>Variance with<br/>Actual</u> |
|-------------------|--|
| \$ 8,393,599      | \$ -   |
| 9,814,700         | -  |
| 21,742,297        | -  |
| 3,926,801         | -  |
| 2,915,544         | -  |
| 9,431,970         | -  |
| 9,824,207         | -  |
| <u>66,049,118</u> | <u>\$ -</u>                                      |

|                   | <u>Year-End<br/>Encumbrances</u> | <u>Final Budget<br/>Variance with<br/>Actual and<br/>Encumbrances</u> |
|-------------------|----------------------------------|---|
| 7,785,146         | \$ -                             | \$ 363,453  |
| 9,643,542         | -                                | 171,157   |
| 20,450,541        | -                                | 1,291,755   |
| 3,698,364         | -                                | 228,438   |
| 2,770,848         | -                                | 144,696   |
| 8,849,174         | -                                | 582,797   |
| 9,429,708         | -                                | 394,499   |
| <u>62,627,323</u> | <u>-</u>                         | <u>\$ 3,176,795</u>   |

(250,000)  
5,000  
62,872,323

(3,176,795)  
(107,919)  
(15,850)  
-  
-  
(3,300,564)  
(123,769)  
2,563,717  
\$ 2,439,948

**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 FOUR FISCAL YEARS**

Ended June 30, 2018

|  | 2018          | 2017           | 2016           | 2015          |
|--|---------------|----------------|----------------|---------------|
| <b>Teachers' Retirement System (TRS)</b>   |               |                |                |               |
| BOCES' Proportion of the Net Pension Asset (Liability)   | 0.119893%     | 0.121264%      | 0.120681%      | 0.120734%     |
| BOCES' Proportionate Share of the Net Pension Asset (Liability)  | \$ 911,303    | \$ (1,298,787) | \$ 12,534,884  | \$ 13,449,053 |
| BOCES' Covered Payroll   | \$ 18,993,009 | \$ 18,731,976  | \$ 18,127,290  | \$ 17,849,204 |
| BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll | <u>4.80%</u>  | <u>6.93%</u>   | <u>69.15%</u>  | <u>75.35%</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)                     | 100.66%       | 99.01%         | 110.46%        | 111.48%       |
| <b>Employees' Retirement System (ERS)</b>  |               |                |                |               |
| BOCES' Proportion of the Net Pension Asset (Liability)   | 0.0297029%    | 0.0291552%     | 0.0285994%     | 0.0283649%    |
| BOCES' Proportionate Share of the Net Pension Asset (Liability)  | \$ (958,646)  | \$ (2,739,484) | \$ (4,590,291) | \$ (958,236)  |
| BOCES' Covered Payroll   | \$ 7,782,136  | \$ 7,477,025   | \$ 7,039,536   | \$ 7,410,545  |
| BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll | <u>12.32%</u> | <u>36.64%</u>  | <u>65.21%</u>  | <u>12.93%</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)                     | 98.24%        | 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.

See paragraph on supplementary schedules included in independent auditor's report.

**SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN**  
**LAST THREE FISCAL YEARS**  
 Ended June 30, 2018

|  | 2018             | 2017             | 2016             | 2015             |
|--|------------------|------------------|------------------|------------------|
| <b>Teachers' Retirement System (TRS)</b>                             |                  |                  |                  |                  |
| Contractually Required Contribution                                  | \$ 2,226,686     | \$ 2,481,242     | \$ 3,177,819     | \$ 2,898,081     |
| Contributions in Relation to the Contractually Required Contribution | <u>2,226,686</u> | <u>2,481,242</u> | <u>3,177,819</u> | <u>2,898,081</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| BOCES' Covered Payroll   | \$ 18,993,009    | \$ 18,731,976    | \$ 18,127,290    | \$ 17,849,204    |
| Contributions as a Percentage of Covered Payroll                     | 11.72%           | 13.25%           | 17.53%           | 16.24%           |
| <b>Employees' Retirement System (ERS)</b>                            |                  |                  |                  |                  |
| Contractually Required Contribution                                  | \$ 1,152,097     | \$ 1,116,579     | \$ 1,189,665     | \$ 1,363,901     |
| Contributions in Relation to the Contractually Required Contribution | <u>1,152,097</u> | <u>1,116,579</u> | <u>1,189,665</u> | <u>1,363,901</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| BOCES' Covered Payroll   | \$ 7,782,136     | \$ 7,477,025     | \$ 7,039,536     | \$ 7,410,545     |
| Contributions as a Percentage of Covered Payroll                     | 14.80%           | 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.

## SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2018

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

|                                |                             |
|--------------------------------|-----------------------------|
| Adopted Budget                 | \$ 61,437,670               |
| Add: Prior Year's Encumbrances | <u>-</u>                    |
| Original Budget                | 61,437,670                  |
| Budget Revision                | <u>4,611,448</u>            |
| Final Budget                   | <u><u>\$ 66,049,118</u></u> |

The Original Budget was Revised for the Following Programs:

|                                   |                            |
|-----------------------------------|----------------------------|
| Budget Increases (Decreases)      |                            |
| Administration                    | \$ (71,906)                |
| Occupational Instruction          | 303,722                    |
| Instruction for Special Education | (19,524)                   |
| Itinerant Services                | 32,860                     |
| General Instruction               | 758,788                    |
| Instructional Support             | 2,477,092                  |
| Other Services                    | <u>1,130,416</u>           |
| Total Budget Increase             | <u>4,611,448</u>           |
| Net Increase                      | <u><u>\$ 4,611,448</u></u> |

See paragraph on supplementary schedules included in independent auditor's report.



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**ST. LAWRENCE-LEWIS COUNTIES BOCES**

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**ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS**

Year Ended June 30, 2018

|   |                                     |
|---|-------------------------------------|
| <b>JULY 1 - DEBIT (CREDIT BALANCE)</b>  | <b>\$ (4,134,499)</b>               |
| <b>Debits:</b>  |                                     |
| Billings to School Districts  | 64,544,051                          |
| Refund of Balances Due School Districts   | 4,134,499                           |
| Encumbrances - End of Year  | <u>-</u>                            |
| <b>TOTAL DEBITS</b>   | <u><b>68,678,550</b></u>            |
| <b>Credits:</b>   |                                     |
| Collection from School Districts  | 64,544,051                          |
| Adjustment - Credits to School Districts:<br>Revenues in Excess of Expenditures | 3,176,795                           |
| Encumbrance - Beginning of Year   | <u>-</u>                            |
| <b>TOTAL CREDITS</b>  | <u><b>67,720,846</b></u>            |
| <b>JUNE 30 - DEBIT (CREDIT) BALANCE</b>   | <u><u><b>\$ (3,176,795)</b></u></u> |

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See paragraph on supplementary schedules included in independent auditor's report.

**SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES**

Year Ended June 30, 2018

| Project Title                         | Original<br>Appropriation | Revised<br>Appropriation | Expenditures      |                   |                   | Unexpended<br>Balance | Proceeds<br>of<br>Obligations | Methods of Financing |                     |                     | Fund<br>Balance<br>6/30/2018 |
|---------------------------------------|---------------------------|--------------------------|-------------------|-------------------|-------------------|-----------------------|-------------------------------|----------------------|---------------------|---------------------|------------------------------|
|                                       |                           |                          | Prior<br>Year     | Current<br>Year   | Total             |                       |                               | State<br>Aid         | Local<br>Sources    | Total               |                              |
| Tech Center -<br>SWT HVAC Renovations | \$ 510,000                | \$ 774,000               | \$ 198,806        | \$ 567,404        | \$ 766,210        | \$ 7,790              | \$ -                          | \$ -                 | \$ 774,000          | \$ 774,000          | \$ 7,790                     |
| Tech Center -<br>SWT Sanitation       | 79,500                    | 85,200                   | -                 | 83,506            | 83,506            | 1,694                 | -                             | -                    | 85,200              | 85,200              | 1,694                        |
| Future Project -<br>CTE Renovation    | -                         | -                        | -                 | -                 | -                 | -                     | -                             | -                    | 283,966             | 283,966             | 283,966                      |
| Totals                                | <u>\$ 589,500</u>         | <u>\$ 859,200</u>        | <u>\$ 198,806</u> | <u>\$ 650,910</u> | <u>\$ 849,716</u> | <u>\$ 9,484</u>       | <u>\$ -</u>                   | <u>\$ -</u>          | <u>\$ 1,143,166</u> | <u>\$ 1,143,166</u> | <u>\$ 293,450</u>            |

See paragraph on supplementary schedules included in independent auditor's report.

**NET INVESTMENT IN CAPITAL ASSETS**

Year Ended June 30, 2018

|  |                |                             |
|--|----------------|-----------------------------|
| Capital Assets, Net                    |                | \$ 27,462,826               |
| Deduct:                                |                |                             |
| Premium on Bonds Payable               | \$ 242,169     |                             |
| Short-Term Portion of Bonds Payable    | 1,138,575      |                             |
| Long-Term Portion of Bonds Payable     | 9,810,000      |                             |
| Short-Term Portion of Installment Debt | 362,628        |                             |
| Long-Term Portion of Installment Debt  | <u>761,179</u> | <u>12,314,551</u>           |
| Net Investment in Capital Assets       |                | <u><u>\$ 15,148,275</u></u> |



CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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**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, 2018, 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 9, 2018.

**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.



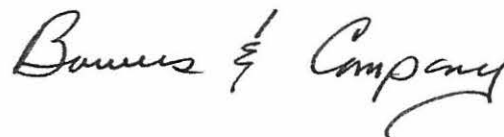
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 "Banner & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Watertown, New York  
October 9, 2018





## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 9, 2018

To the President and Members  
of the Board of Education of the  
St. Lawrence Lewis Counties BOCES

We have audited the financial statements of the governmental activities, and each major fund of St. Lawrence Lewis Counties BOCES for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Lawrence Lewis Counties BOCES are described in Note 1 to the financial statements.

St. Lawrence Lewis Counties BOCES adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board ("GASB"). As described in Note 3 to the financial statements, St. Lawrence Lewis Counties BOCES changed accounting policies related to reporting for postemployment benefits by adopting Statement of Governmental Accounting Standards No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change as of July 1, 2017 is to report additional other postemployment benefit liability in the amount of \$95,470,173 and additional deferred outflows of resources in the amount of \$3,672,669 on the governmental activities Statement of Net Position with a corresponding reduction in net position of \$91,797,504 on the Statement of Activities and Changes in Net Position.

We noted no transactions entered into by St. Lawrence Lewis Counties BOCES during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule represents material misstatements detected as a result of audit procedures that were corrected by management.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 9, 2018.



*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to St. Lawrence Lewis Counties BOCES’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as St. Lawrence Lewis Counties BOCES’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management’s Discussion and Analysis, Schedule of Changes in the BOCES’ Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, Schedule of BOCES’ Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and the Schedule of the BOCES’ Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

President and Members  
of the Board of Education of the  
St. Lawrence-Lewis Counties BOCES  
October 9, 2018  
Page 4

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of St. Lawrence Lewis Counties BOCES and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Bowers & Company*

**Schedule 1: Material Misstatements Corrected by Management**

**Governmental Funds**

**General Fund:**

**Adjusting Journal Entries JE # 202**

To Back out Prior Year Due to TRS from Prior year in Special aid.

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| A000391-FF Due from Federal Fund | 376,464.00        |                   |
| A000391-TR Due from FOR TRS      |                   | 376,464.00        |
| <b>Total</b>                     | <b>376,464.00</b> | <b>376,464.00</b> |

**Special Aid Fund:**

**Adjusting Journal Entries JE # 1**

To Reclass PBC JE from Fund Balance to the Proper Revenue Account

|  |                   |                   |
|--|-------------------|-------------------|
| F00917-00 Unassigned Fund Balance        | 236,715.00        |                   |
| F0904.140-2770-000 Unclassified Revenues |                   | 236,715.00        |
| <b>Total</b>                             | <b>236,715.00</b> | <b>236,715.00</b> |

**Adjusting Journal Entries JE # 2**

To Back out Prior Year Due to TRS that was not properly reversed when the bill was paid

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| F00630-TR Due to TRS           | 376,464.00        |                   |
| F00630-AF DUE TO GENERAL FUNDS |                   | 376,464.00        |
| <b>Total</b>                   | <b>376,464.00</b> | <b>376,464.00</b> |

**Government-Wide**

**Non-Current Governmental Assets:**

**Adjusting Journal Entries JE # 1**

To record deferred outflows of resources related to OPEB under GASB 75

|  |                     |                     |
|--|---------------------|---------------------|
| K00496.1 Deferred Outflows of Resources - OPEB | 3,912,746.00        |                     |
| K00159 Total Non-Current Governmental Assets   |                     | 3,912,746.00        |
| <b>Total</b>                                   | <b>3,912,746.00</b> | <b>3,912,746.00</b> |

**Schedule 1: Material Misstatements Corrected by Management - Continued**

Non-Current Governmental Liabilities:

**Adjusting Journal Entries JE # 2**

To record OPEB liability and deferred inflow of resources related  
to GASB 75 OPEB Liability

|   |                              |                              |
|---|------------------------------|------------------------------|
| W00129 Total Non-Current Governmental Liabilities | 211,957,423.00               |                              |
| W00689 OPEB Obligation-GASB 75                    |                              | 187,953,018.00               |
| W00697.1 Deferred Inflow of Resources -OPEB       |                              | 24,004,405.00                |
| <b>Total</b>                                      | <b><u>211,957,423.00</u></b> | <b><u>211,957,423.00</u></b> |