

JEFFERSON-LEWIS-HAMILTON-
HERKIMER-ONEIDA BOCES

FINANCIAL STATEMENTS

JUNE 30, 2016

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

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INDEPENDENT AUDITORS' REPORT

Board of Education
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES as of and for the year ended June 30, 2016, 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, each major fund, and the aggregate remaining fund information of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress - other post-employment benefits, the schedule of revenue, expenditures and changes in fund balance - budget (non-GAAP basis) and actual - general fund, the schedules of BOCES contributions - NYSTRS & NYSERS pension plans - last 2 fiscal years, and the schedules of BOCES' proportionate share of the net pension liability - NYSTRS & NYSERS pension plans - last 2 fiscal years on pages 4-20 and 57-60 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 Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' basic financial statements. The schedule of change from adopted budget to final budget - general fund, analysis of account A431 school districts, and net investment in capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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CERTIFIED PUBLIC ACCOUNTANTS

The schedule of change from adopted budget to final budget – general fund, analysis of account A431 school districts, net investment in capital assets and the schedule of expenditures of federal awards 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, net investment in capital assets and the schedule of expenditures of federal awards 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 17, 2016, on our consideration of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control over financial reporting and compliance.

Stackel & Navarra, CPA, PC

Watertown, NY
October 17, 2016

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

The following is a discussion and analysis of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' (hereinafter referred to as "BOCES") financial performance for the fiscal year ended June 30, 2016. 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. This report will contain comparisons of data between the 2014-2015 fiscal year and the 2015-2016 fiscal year. This section is only an introduction and should be read in conjunction with the BOCES financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained within these documents rests with the BOCES.

BOCES Overview/Highlights

A Board of Cooperative Educational Services (BOCES) is a voluntary, cooperative association of school districts that share planning, services, and programs to provide educational and support activities more economically, efficiently, and equitably than could be provided by an individual district. BOCES are organized under section 1950 of the Education Law.

The Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES is geographically the largest in New York State. It serves eighteen component districts, ranging in size from the Watertown City School District with almost four thousand three hundred students to Inlet Common, which has fewer than forty students.

The BOCES employs approximately 500 full and part time professional and support staff who work throughout the region in BOCES owned or leased buildings and in district classrooms and offices throughout the BOCES area.

BOCES earns the majority of its revenues by providing services to the component school districts, and in some cases, districts in surrounding areas (through cross contracts) or other municipalities. The NYS Education Department must approve each service or CoSer (cooperative service) before it can be offered. Each CoSer has its own budget, including revenues and expenditures and must be self-sustaining. The districts are charged based on a variety of methods that have been pre-approved by the State Education Department. They in turn may receive a variety of state aids for participation in the programs.

In addition to charges to districts and municipalities and some grant funds, revenues can be earned by departmental charges between programs for services one program may provide to another.

Charges for the coming school year are finalized, with few exceptions, in the spring of the preceding school year. Districts forward their initial requests in February and in May the BOCES receives the final program participation forms for the coming year. Adjustments, based upon the individual districts' needs are made throughout the year. Because BOCES revenues are derived primarily from tuitions charged to Districts and not from State Aid or from Tax Revenues, BOCES fiscal health depends primarily on participation rates. Tuitions are based on projected costs divided by projected enrollments. If either estimation is incorrect, program net revenues or expenditures will vary.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Jeff-Lewis BOCES has three primary divisions: Programs for Exceptional Students, Career and Technical Programs and Professional Program Development Services. During the past year, each program area served a different population and therefore experienced different fiscal impacts.

Programs for Exceptional Students and their associated support programs are still the largest division at the BOCES (28.6%), both in revenue and in staffing numbers. The total number of classes has decreased slightly. For the 2015-2016 year, the BOCES operated one (1) Life Skills class, four and ½ (4.5) 12:1 (Option II) classes, and seven (7) 12:1, 3:1 (Option IV) classrooms. The self-contained 6:1:1, 6:1:2, 8:1:1 (Option III) classes decreased to twenty-two (22) classrooms. The number of Resource Rooms is at seven and 1/2 (7.5). The Director continues to combine classrooms and services when possible but the large geographic area makes significant consolidation very difficult. Because these programs all have very high staff to student ratios, increased personnel costs have a profound impact on bottom line costs. The BOCES responds to School Districts requests. Additional requests for services for autistic children, have allowed BOCES to add programs and develop skills for this population. The Endeavor Program, an alternative education program for junior and high school students, was expanded in the Lewis County area due to the request of the schools that will support that program.

The second largest division, Career and Technical Programs (21%), experienced an average financial year. The BOCES increased charges and tuitions for these programs. Enrollment increased this year, and will need to be carefully monitored into future years. As component school district enrollments change, that affects our enrollment in the Career and Technical Programs. Some things that affect the component school enrollment include the deployment and return of Brigades from Ft. Drum. The movement of troops has an effect on their families and school age children that stay in the area or move back to their original homes. The current economic conditions of the country cause families to move where jobs are available. The fluctuation in Career and Technical enrollments may continue until the economy and military stability returns. In response to this trend, the BOCES has also recently moved to a 3 year average enrollment for billing purposes to assist districts in consistent budget forecasting.

Instructional Services and Support Programs continue to respond to the needs of our component schools. Offerings and program demands vary within these departments as the districts request service. The Race to the Top (RTTT) initiative had been a focus of planning in the instructional services department starting with the 2011-2012 year. 14 Districts assigned their funds to BOCES to create a Network Team to lead districts into the reform agenda to improve schools through the end of the 2013-2014 school year. In the Spring of 2014, BOCES was awarded the "Strengthening Teacher and Leader Effectiveness (STLE)" grant for \$1.2 million dollars. These funds allowed the BOCES to sustain the initiatives of the RTTT funds in the 2014-15 school year. Although the RTTT funds have essentially dried up statewide, we continue to seek out regional grant opportunities.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Overview of the Financial Statements

This annual report consists of three parts: the Management Discussion and Analysis section (MD &A) (this section), the 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, highlighting the BOCES' operations in more detail than the BOCES-wide statements. The fund financial statement concentrates on the BOCES' most significant funds with all other non-major funds listed in total in one column. There were no non-major funds for the year ended June 30, 2016.
- The governmental funds statements details how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others.

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

The following summarizes the major features of the BOCES's 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.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Major Features of the BOCES-Wide and Fund Financial Statements			
		Fund Financial Statements	
→	BOCES-Wide	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 Assets 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two BOCES-wide statements report the BOCES' Net position and how they have changed. Net position – the difference between the BOCES' assets and liabilities – are one way to measure the BOCES' financial health or position.

- Over time, increases or decreases in the BOCES' Net position are an indication of whether its financial position is improving or deteriorating, respectively.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

- To assess the BOCES's overall health, you need to consider additional nonfinancial factors such as changes in the BOCES' demographics and the condition of the facilities.

In the BOCES-wide financial statements, the BOCES' activities are shown as follows: Governmental activities: Most of the BOCES' basic services are included here, such as general and special education, instructional services, administration, non-instructional services and support services. Charges and tuitions to component school districts finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant or "major" funds – not the BOCES as a whole. Funds are accounting devices the BOCES 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 or to show that it is properly using certain revenues such as Federal grants.

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, that can readily be converted to cash, flow in and out and (2) the balances left at year end that are available for spending (returning to the component districts). These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. 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. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled at the bottom of the governmental funds statements.

Fiduciary Funds: The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the student activity fund. 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 activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations.

Reporting the BOCES as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the BOCES, liabilities exceeded assets by \$22,635,840 at the close of the most recent fiscal year. The total Net position has decreased from the prior year by \$3,819,672. This is mainly attributable to the impact of the Governmental Accounting Standards Board Standard #45. The Standard provides for the accounting and financial reporting by employers for post-employment benefits other than pensions. The

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
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BOCES engaged the services of an actuary to value the post-employment benefits. The valuation has not been applied retroactively. The annual required contribution has been recorded as a long term liability. Additional information is available in Note 8 of the financial statements.

The largest portion of the BOCES's Net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The BOCES uses capital assets to provide services; consequently, these assets are not available for future spending. Although the BOCES's 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. BOCES does not have any capital related debt at the close of June 30, 2016.

The following schedule summarizes the BOCES's Net position. The complete Statement of Net position can be found in the BOCES's basic financial statements on page 21.

Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,390,502	\$ 5,923,836
Receivables	8,657,166	7,764,742
Capital assets, net	11,475,153	11,556,570
Net pension assets - proportionate share	10,033,591	10,228,841
Total Assets	<u>\$ 36,556,412</u>	<u>\$ 35,473,989</u>
 Deferred outflows of resources		
Pensions	<u>\$ 148,649</u>	<u>\$ 2,916,260</u>
 LIABILITIES		
Payables	\$ 12,742,918	\$ 11,671,729
Unearned credits	-	15
Long-term liabilities	35,817,111	45,055,667
Total Liabilities	<u>48,560,029</u>	<u>56,727,411</u>
 Deferred inflows of resources		
Pensions	<u>\$ 6,961,200</u>	<u>\$ 4,298,678</u>
 NET POSITION		
Investment in capital assets, net of debt	11,475,153	11,296,570
Restricted	1,761,752	1,752,634
Unrestricted	(32,053,073)	(35,685,044)
Total Net Position	<u>\$ (18,816,168)</u>	<u>\$ (22,635,840)</u>

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
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June 30, 2016

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year.

The majority of BOCES current receivables, \$7.7 million, consist of BOCES aid due from the State and payable to the Districts. This will be forwarded to the districts based upon the aid ratio of the programs in which they participated.

The increase in Long-term Liabilities is reflective of the postemployment benefits recorded in accordance with the GASB #45 regulation.

The decrease in Unrestricted Assets is attributable to the effect of the GASB Standard #45.

The Statement of Activities shows the cost of program services net of charges for the services and grants offsetting those services. The complete Statement of Activities can be found in the BOCES' basic financial statement. Total revenues including charges for services, investment earnings, and unrestricted state and federal grants must support the net cost of the BOCES' programs.

Condensed Statement of Activities

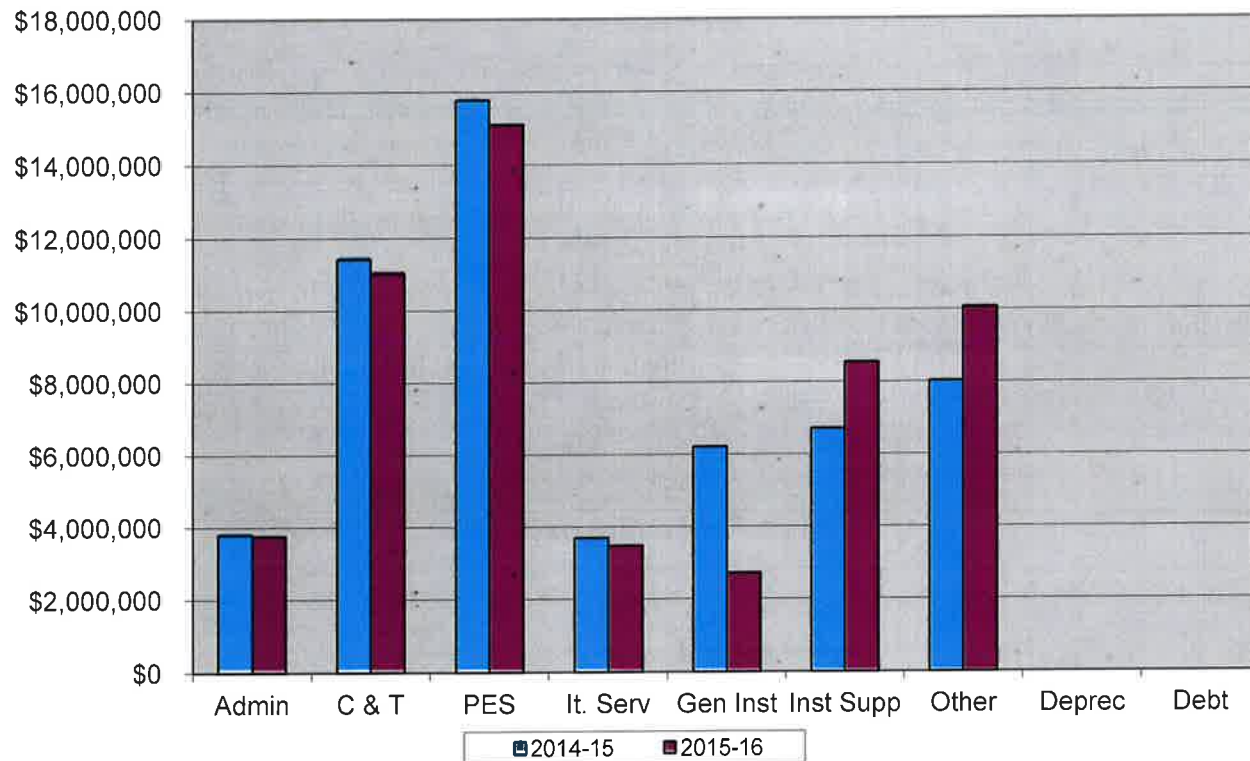
<u>Programs</u>	<u>Year Ending 6/30/15</u>			<u>Year Ending 6/30/16</u>		
	<u>Expenses</u>	<u>Revenues</u>	<u>Net</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Net</u>
Admin	\$ 3,793,720	\$ 4,056,545	\$ 262,825	\$ 3,756,734	\$ 4,199,646	\$ 442,912
C & T	11,419,197	11,087,369	(331,828)	11,029,094	11,194,861	165,767
PES	15,779,464	15,766,424	(13,040)	15,095,070	15,244,557	149,487
It. Services	3,691,043	3,742,794	51,751	3,480,167	3,603,473	123,306
Gen. Inst.	6,207,845	5,316,227	(891,618)	2,717,027	2,172,829	(544,198)
Inst. Supp	6,716,312	6,772,963	56,651	8,551,205	8,427,304	(123,901)
Other Serv.	8,029,763	7,836,517	(193,246)	10,062,584	8,451,173	(1,611,411)
Total	<u>\$ 55,637,344</u>	<u>\$ 54,578,839</u>	<u>\$ (1,058,505)</u>	<u>\$ 54,691,881</u>	<u>\$ 53,293,843</u>	<u>\$ (1,398,038)</u>
General Revenues						
Use of money/property	\$	10		\$	284	
Sale of property		24,078			69,862	
Misc.		1,141,243			743,993	
State/Fed sources		-			-	
Total		<u>\$ 1,165,331</u>			<u>\$ 814,139</u>	
Return of surplus unpaid		<u>(3,853,550)</u>			<u>(3,235,773)</u>	
Change in Net Position		<u>\$ (3,746,724)</u>			<u>\$ (3,819,672)</u>	

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The effect of the accrued post-retirement benefits is evident throughout the budgetary categories when comparing the two fiscal years. This impact of GASB 45 will continue to be felt in the future years as the total long term liability is transferred to the operating balance sheet. The State of New York has not created provision for a funding mechanism for this obligation.

A further breakdown of the revenues would show that of the Charges to Components (85%) are paid by our components (school districts within our BOCES) and the rest by cross contracts to other BOCES or by charges for services provided to other municipalities.

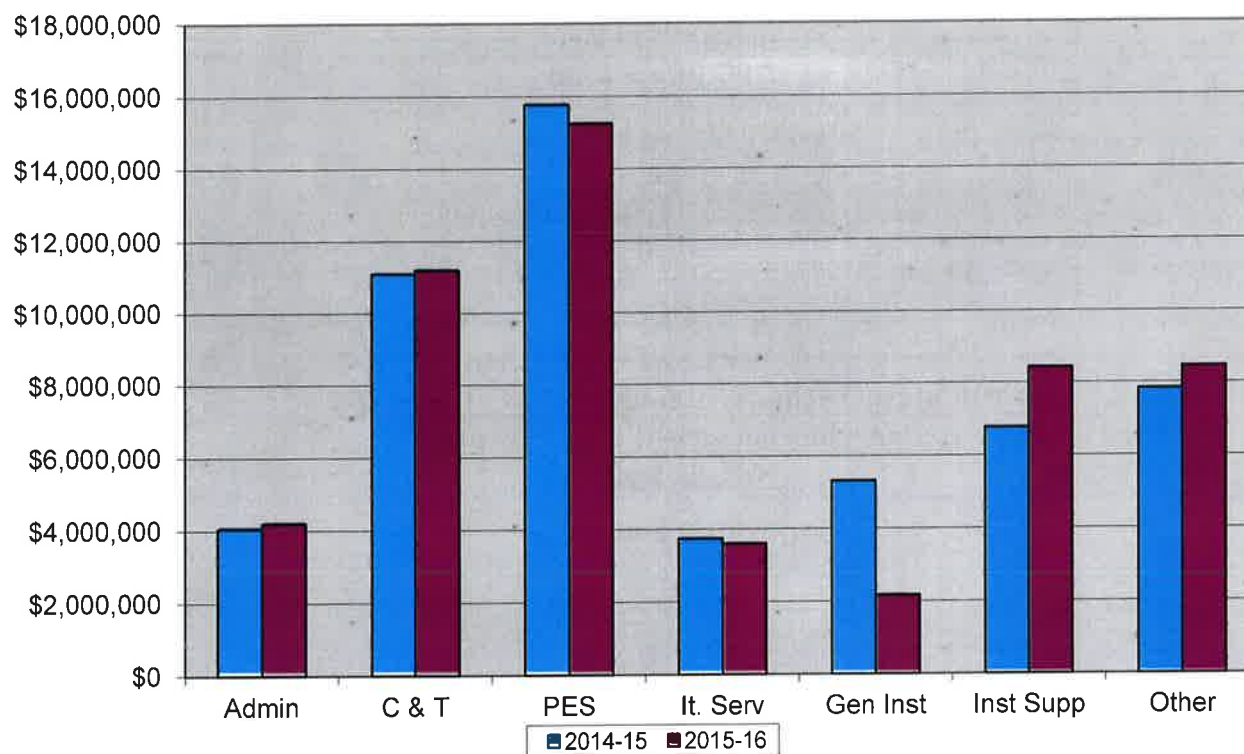
Expenses by Program



Total expenses for the current year decreased by \$945,463 or 1.7%. The majority of that decrease represented a decrease in General Instruction expenses, due a drop in the number of services districts contracted for. Most other areas showed decreases in expenses, due to the off-set of grants, or other cost-savings efforts realized by BOCES staff. Instructional Support and Other areas showed increases due to new services being offered in those areas.

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Revenues by Program



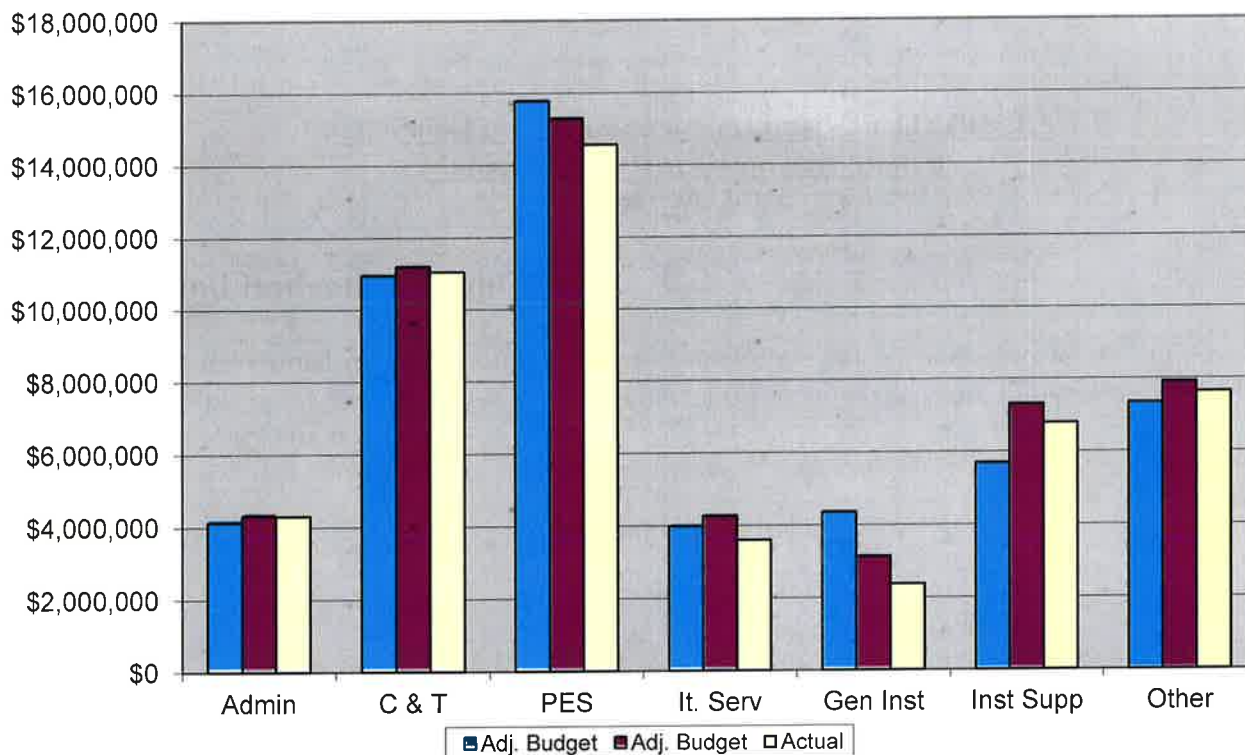
Revenues decreased by \$1,284,996 or 2.35%. The majority of that decrease was realized in General Instructional services, again due to a decrease requests for services in that program area. Itinerant services revenue decreased by 3.7% due to a decrease in district requests for shared staff. Instructional support realized an increase in revenue due to more districts joining the Distance Learning service. All other areas showed increases in revenues due to new CoSers being added in those service areas.

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General Fund Budgetary Highlights

The budget is developed primarily on projected enrollments and participation levels anticipated by the component districts. As their need for services change throughout the year, adjustments to the budget are made reflecting these requests.

Budget vs. Actual



The Career and Technical Programs budget increased due to increased programming for students. In Programs for Exceptional Students, budgets decreased due to decreased request for programs. The Itinerant Services annually is adjusted upward due to the apportionment of costs for Occupational Therapy and Physical Therapy from the 700 CoSer series to the 300 CoSer series when the exact number of District students and BOCES students are known. Instructional Support and Other were increased due to requests of districts for services above original budgeted predictions.

Variances between original budget and actual expenditures will continue to occur as BOCES responds to changes in requests by the Districts.

More detailed information about the BOCES' General Fund budget is presented in the Statement of Revenues, Expenditures, and Changes in Fund Equity – Budget and Actual on page 58.

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Management's Discussion and Analysis
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ANALYSIS OF THE BOCES' FUNDS

General Fund

Several new COSERS were introduced during the 2015-2016 school year, and continue to be in response to the decline in state aid to school districts. These COSERS provide functionality for the SAMS system, a State Aid Management System required by the State Education Department to file BOCES data and state aid figures. This system requires all cross-contracted COSERS to have a unique COSER number, apart from our COSER numbers. These services have been requested by our component districts in the past and show this year with unique numbers, to accommodate the new reporting requirements.

Special Aid Fund

Although there are several grants administered through this fund the following are the most volatile and involve most directly the component districts.

The RSE - TASC Grant is administered through the Assistant Superintendent for Programs and Instruction's office.

The purpose of the RSE-TASC Grant is to establish regionally-based resources to provide a coordinated system of high quality technical assistance, training, information dissemination and professional development to school districts to improve their instructional programs and practices for students with disabilities, particularly in the areas of literacy, behavioral supports and interventions, special education instruction and transition planning and activities. The primary work of the technical assistance providers funded through this grant will be to bring research-based instructional and behavioral practices to those school districts determined by VESID as at risk of or needing assistance or intervention to improve results for students with disabilities and to meet the State's targets for improvement as identified in the State Performance Plan.

The VATEA Grant is administered through the Career & Technical Programs' Office. The Vocational Applied Technology Education Act (VATEA) funds are used primarily for the purchase of equipment and for curriculum development as more programs are approved to offer academic credit. The Federal legislation renewing these funds has been reauthorized for the next several years.

Capital Asset and Debt Administration

The financial statements provide a picture of capital assets over time. These include land, buildings, equipment and furniture. Purchases throughout the year of equipment and furniture and the costs of building renovation projects increase the capital assets of the BOCES. They are in turn decreased by sale of assets and depreciation. In the current 2015-2016 fiscal year, there is very little change in the value of net position.

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June 30, 2016

Condensed Statement of Net Capital Assets

	Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/2016</u>
Land	\$ 246,097	\$ -	\$ -	\$ 246,097
Buildings & improvements	18,510,537	161,811	-	18,672,348
Machinery & equipment	3,792,028	462,269	(51,119)	4,203,098
Construction WIP	44,481	282,847	(44,481)	282,847
Less: Accumulated depreciation	<u>11,117,990</u>	<u>781,029</u>	<u>(51,199)</u>	<u>11,847,820</u>
Net capital assets	<u>\$ 11,475,153</u>	<u>\$ 125,898</u>	<u>\$ (44,481)</u>	<u>\$ 11,556,570</u>

For more information refer to Note 6 in the notes to the financial statements.

No additional capital projects are projected other than renovation and safety repairs on existing owned or leased structures.

Long-Term Debt

BOCES carries no long-term debt.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Factors Bearing on the BOCES' Future

This section contains a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Changes in legislation regarding school finance

The current economic conditions of New York State, the nation and the world continue to be a concern for education. The Congress, Senate and President Obama enacted the American Recovery and Reinvestment Act of 2009. This plan provided funds to stimulate the economy by creating and saving jobs. The funding from the ARRA program ended during the 2011-2012 school year. The current climate of Albany and the New York State budget performance for 2016 clouds the outlook for the 2017 budget. A large portion of the budgets of our component districts is funded by aid to education from the State of New York. With the State experiencing difficult financial times, the hope for increased aid to education seems bleak at best. As a BOCES, we provide services to our component districts. If our components are not receiving increased funding from the State, their service requests may be reduced to necessity items only, or may force many school districts to consolidate and share services. This situation will be monitored closely, as the governments lead the State and Nation through this crisis.

The impact caused by the CFE lawsuit is being felt, and a new lawsuit has been filed against the Governor and State Legislators for failure to provide an equitable funding mechanism for public schools. The Governor did propose and the Legislature approved aid to education for the 2015-16 school year. The aid to schools was originally proposed with a decreased amount of aid called the Gap Elimination Adjustment for the 6th year in a row. Districts continue to contend with the Property Tax Cap as part of the Chapter 97 of the NYS Laws of 2011. The current State and Federal financial issues, as previously discussed, will continue to have an impact on the predicted aid to education.

Expected budgetary impacts

The current State economic outlook is uncertain at this time. As our component school districts feel the effects due to the change in education aid payable, BOCES will also feel these effects. This is due to the fact that almost all of our revenue for services comes from our component districts.

The fiscal impact of the adoption of the Comptrollers Five Point Plan has yet to be quantified, but continues to be an unfunded mandate. The first change was the mandated State Audit of all districts and BOCES within five years. The Jeff Lewis BOCES has been audited as part of the NYS Comptroller's Audit process. The audit report has been filed in the district and accepted by the Board of Education. An RFP for external auditor services has been implemented as the second requirement of the Comptroller's Five Point Plan. Districts and BOCES began to provide a six hour in-service program to all School Board members in their first year of a term. The program includes instruction on school fiscal management and Board responsibilities. The BOCES Board of Education has been established as the Audit Committee. Beginning with the 2006-07 year, each district must establish and implement the position of internal auditor. As a mandate relief measure in the 2013-14 State Budget, Subdivision 2 of section 2116-b of the Education Law was amended to exempt school districts with less than eight teachers, or actual general

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

fund expenditures totaling less than \$5 million in the previous school year, or actual enrollment of less than 1,500 students in the previous school year from the requirement to establish or maintain an internal audit function. The statute requires that school districts and BOCES certify to the Commissioner annually that they are eligible for this mandate relief. The Jefferson Lewis BOCES anticipates that it will be eligible for the exemption for the 2015-2016 school year and beyond. As such, the Audit Committee took action in August, 2013 to perform an internal audit every 3 years.

Personnel cost i.e. salaries and benefits continue to increase. As a member of our self-funded health insurance plan, BOCES and the member districts are continuously looking at cost containment measures. A committee has been formulated to look at wellness programs to assist containment of future cost increases. The escalating number of retirees and their resulting health care costs is one of the most significant impacts for our future budgets. Pension rates for the Employees Retirement System and for the Teachers' Retirement System are projected to decrease or maintain rates over the next year, although the overall pension costs for the BOCES continues to rise.

BOCES' contracts with its unions have all settled.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Enrollment

Career, Technical, Adult and Continuing Education

The enrollment of secondary students in the Career and Technical Centers increased during the past year. This increase, in part is due to the adoption of a new billing methodology for school districts. Districts are now charged based on their 3 year actual enrollment. It is anticipated that this new billing method will help Districts to be able to budget more consistently. As the cost of going to college rises, the need for an immediate source of income for high school graduates increases, programing at both centers will hopefully attract students into the new offerings.

Charles H. Bohlen, Jr. Technical Center

	06- 07	07- 08	08- 09	09- 10	10- 11	11- 12	12- 13	13- 14	14- 15	15-16
Secondary Students	804	833	792	762	788	783	770	763	791	820
Special Education	322	302	283	238	165	244	230	230	188	229
Alternative High School & Endeavor Diploma Based	26	30	39	32	35	18	6	7	6	7
Adult (Day & Eve Ctr, For B/Industry)	198	153	174	156	134	184	183	183	206	175
GRASP & GED on TV	94	14	11	10	0	14	25	7	0	0
HSE (Outreach)	62	15	0	0	0	20	0	0	0	0
HSE	133	155	134	119	159	279	237	288	166	200
Jefferson County Jail GED 104	80	64	50	52	63	59	64	47	32	37
English for Speakers of Other Languages (E.S.L.)	94	55	61	49	78	52	52	108	38	28

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016
Howard G. Sackett Technical Center

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Secondary Students	382	413	341	331	381	390	369	318	309	312
Special Education	81	115	95	66	89	100	102	102	74	69
Alternative High School	23	21	15	15	9	10	7	13	7	1
Adult (Day & Eve Ctr, For B/Industry)	30	18	14	27	9	20	15	23	17	27
HSE	32	36	34	36	48	48	39	16	0	0

Programs for Exceptional Students

The majority of the Programs for Exceptional Students (PES) Department programs saw decreases in the 15-16 enrollments. The component districts continue to examine their programs and are providing more district operated instruction to students wherever possible. Districts continue to ask the Programs for Exceptional Students Department to develop programs to meet the needs of more specialized students like autism. As such, PES piloted two new program offerings for the 15-16 school year.

There have also been some associated increases in Related Services to students attending district operated programs, and related services to students attending BOCES operated classrooms have maintained their participation rates or decreased slightly.

Comparison of the Number of Classrooms per Program	# of Classses 2006-07	# of Classses 2007-08	# of Classses 2008-09	# of Classses 2009-10	# of Classses 2010-11	# of Classses 2011-12	# of Classses 2012-13	# of Classes 2013-14	# of Classses 2014-15	# of Classses 2015-16
Life Skills special classes	5	5	4	4	3	2	1	1.5	1.5	1
15:1, 15:1+1 special classes	0	0	0	0	0	0	0	0	0	1
12:1+1 special classes	7	7	7	7	7	6	7	7	7.5	4.5
8:1+1, 6:1:1, 6:1+2 special classes	23	24	26	26	25	26	23	23	23	22
12:1+(3:1) special classes	8	7	8	4	6	7	7	7	7	7
Resource Rooms	20	20	19	17	14	11.5	10.5	11	10	7.5
Endeavor	6	5	6	6	7.4	6.8	7.4	7	7.4	7

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Management's Discussion and Analysis
June 30, 2016

Decisions to eliminate current programs or start new ones

Each program or CoSer is evaluated on an annual basis for fiscal soundness. Career & Technical Programs are expected to carry, at a minimum – 10 students for each session (a.m., p.m.). In general, programs are given up to three years to become fiscally solvent. Promotions, curriculum modifications and in servicing are all provided before a program is abandoned. Staffing adjustments are made annually based on enrollments.

Although numbers have decreased in Programs for Exceptional Student Programs, all programs and services are expected to continue but with decreasing staffing as needed.

Grants

The BOCES was awarded a 3 year, \$900,000 Program Development grant aligned to the NYS Career Development and Occupational Studies (CDOS) standards in the Fall of 2015. This funding from the NY State Education Department is a collaborative initiative between the Program for Exceptional Students and the Career and Technical Education programs, and designed to prepare students with disabilities to exit school with work readiness skills.

The BOCES was part of one large consortium grant:

- A Local Government Records Management Improvement Fund (LGRMIF) Grant was awarded in the Fall of 2015 for \$145,000. The purpose of this grant was to support efforts to eliminate paper records and move to electronic access to allow for easier access to records as well as better storage solutions. The grant included a review of district policies in regards to electronic storage of records.

Construction Programs

The current capital programs are addressing handicap accessibility in the administrative building on the Watertown campus. Additional programs address specific program safety, environmental and maintenance issues and are funded under the regular operation and maintenance portion of the budget.

Contacting the BOCES' Financial Management

The financial report is designed to provide the BOCES' component districts' taxpayers, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES, 20104 State Route 3, Watertown, New York 13601

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Statement #1

Statement of Net Position**Governmental Activities****June 30, 2016****ASSETS**

Cash

Unrestricted	\$	4,171,202
Restricted		1,752,634

Receivables

State and Federal aid	7,597,761
Due from other governments	11,158
Other	155,823

Land, buildings and equipment (net) 11,556,570

Net pension asset - proportionate share 10,228,841

Total Assets		<u>\$</u>	<u>35,473,989</u>
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DEFERRED OUTFLOW OF RESOURCES

Pensions

2,916,260

Total Deferred Outflows of Resources		<u>\$</u>	<u>2,916,260</u>
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LIABILITIES

Payables

Accrued liabilities	71,703
Due to fiduciary funds	34,614
Due to other governments	36,108
Due to Teachers' Retirement System	1,999,057
Due to Employees' Retirement System	352,008
Due to School Districts	9,178,239

Unearned credits

Unearned revenues - overpayments	15
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Long-term liabilities

Due and payable within one year

Lease obligation	130,000
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Due and payable after one year

Compensated absences payable	328,500
------------------------------	---------

Other postemployment benefits payable	41,095,682
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Lease obligation	130,000
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Net pension responsibility-proportionate share	<u>3,371,485</u>
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Total Liabilities		<u>\$</u>	<u>56,727,411</u>
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DEFERRED INFLOW OF RESOURCES

Pensions

4,298,678

Total Deferred Inflows of Resources		<u>\$</u>	<u>4,298,678</u>
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Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Statement #1

Statement of Net Position

Governmental Activities

June 30, 2016

NET POSITION

Net investment in capital asset	\$	11,296,570	
Restricted			
Other legal restrictions		1,752,634	
Unrestricted		<u>(35,685,044)</u>	
Total Net Position			<u>\$ (22,635,840)</u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Statement of Activities and Changes in Net Position
Governmental Activities
For the Year Ended June 30, 2016

Statement #2

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>
FUNCTIONS/PROGRAMS				
Administration	\$ 3,756,734	\$ 4,199,646	\$ -	\$ 442,912
Career and technical programs	11,029,094	11,008,024	186,837	165,767
Programs for exceptional students	15,095,070	15,244,557	-	149,487
Itinerant services	3,480,167	3,603,473	-	123,306
General instruction	2,717,027	2,009,949	162,880	(544,198)
Instruction support	8,551,205	6,629,333	1,797,971	(123,901)
Other services	<u>10,062,584</u>	<u>8,321,164</u>	<u>130,009</u>	<u>(1,611,411)</u>
Total Functions and Programs	<u>\$ 54,691,881</u>	<u>\$ 51,016,146</u>	<u>\$ 2,277,697</u>	<u>\$ (1,398,038)</u>
GENERAL REVENUES				
Use of money and property				\$ 284
Sale of property and compensation for loss				69,862
Miscellaneous				<u>743,993</u>
Total General Revenues				<u>814,139</u>
Other sources and uses:				
Refund of surplus unpaid				<u>(3,235,773)</u>
Change in Net Position				(3,819,672)
Total Net Position - Beginning of year				<u>(18,816,168)</u>
Total Net Position - End of year				<u>\$ (22,635,840)</u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Statement #3

Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>Legal Services</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 3,944,745	\$ 101,048	\$ 125,409	\$ 4,171,202
Restricted	1,752,634	-	-	1,752,634
Receivables				
Due from other funds	1,231,769	-	-	1,231,769
State and Federal aid	6,377,511	1,220,250	-	7,597,761
Due from other governments	11,158	-	-	11,158
Other	48,156	104,683	2,984	155,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 13,365,973	\$ 1,425,981	\$ 128,393	\$ 14,920,347
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Payables				
Accrued liabilities	\$ 71,703	\$ -	\$ -	\$ 71,703
Due to other funds	-	1,231,769	-	1,231,769
Due to fiduciary funds	-	34,614	-	34,614
Due to other governments	2,829	33,279	-	36,108
Due to Teachers' Retirement System	1,999,057	-	-	1,999,057
Due to Employees' Retirement System	352,008	-	-	352,008
Due to school districts	9,178,239	-	-	9,178,239
Unearned revenues				
Overpayments	15	-	-	15
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	11,603,851	1,299,662	-	12,903,513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Restricted	1,752,634	-	-	1,752,634
Assigned	9,488	126,319	128,393	264,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	1,762,122	126,319	128,393	2,016,834
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 13,365,973	\$ 1,425,981	\$ 128,393	\$ 14,920,347
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Statement #3A

**Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016**

	Total Governmental Funds	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Cash				
Unrestricted	\$ 4,171,202	\$ -	\$ -	\$ 4,171,202
Restricted	1,752,634	-	-	1,752,634
Receivables				
Due from other funds	1,231,769	-	(1,231,769)	-
State and Federal aid	7,597,761	-	-	7,597,761
Due from other governments	11,158	-	-	11,158
Other	155,823	-	-	155,823
Land, buildings and equipment (net)	-	11,556,570	-	11,556,570
Net pension asset - proportionate share	-	10,228,841	-	10,228,841
Total Assets	<u>\$ 14,920,347</u>	<u>\$ 21,785,411</u>	<u>\$ (1,231,769)</u>	<u>\$ 35,473,989</u>
DEFERRED OUTFLOW OF RESOURCES				
Pensions	\$ -	\$ 2,916,260	\$ -	\$ 2,916,260
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 2,916,260</u>	<u>\$ -</u>	<u>\$ 2,916,260</u>
LIABILITIES				
Payables				
Accrued liabilities	\$ 71,703	\$ -	\$ -	\$ 71,703
Due to other funds	1,231,769	-	(1,231,769)	-
Due to fiduciary funds	34,614	-	-	34,614
Due to other governments	36,108	-	-	36,108
Due to Teachers' Retirement System	1,999,057	-	-	1,999,057
Due to Employees' Retirement System	352,008	-	-	352,008
Due to school districts	9,178,239	-	-	9,178,239
Unearned credits				
Overpayments	15	-	-	15
Long-term liabilities				
Due and payable within one year				
Lease obligation	-	130,000	-	130,000
Due and payable after one year				
Compensated absences payable	-	328,500	-	328,500
Other postemployment benefits payable	-	41,095,682	-	41,095,682
Lease obligation	-	130,000	-	130,000
Net pension responsibility-proportionate share	-	3,371,485	-	3,371,485
Total Liabilities	<u>\$ 12,903,513</u>	<u>\$ 45,055,667</u>	<u>\$ (1,231,769)</u>	<u>\$ 56,727,411</u>
DEFERRED INFLOW OF RESOURCES				
Pensions	-	4,298,678	-	4,298,678
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 4,298,678</u>	<u>\$ -</u>	<u>\$ 4,298,678</u>
TOTAL FUND BALANCE / NET POSITION				
Total Fund Balance/Net Position	<u>\$ 2,016,834</u>	<u>\$ (23,619,300)</u>	<u>\$ (1,033,374)</u>	<u>\$ (22,635,840)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	<u>\$ 14,920,347</u>	<u>\$ 25,735,045</u>	<u>\$ (2,265,143)</u>	<u>\$ 38,390,249</u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Statement #4

	General	Special Aid	Legal Services	Total Governmental Funds
REVENUES				
Charges for services	\$ 4,199,646	\$ -	\$ -	\$ 4,199,646
Charges for components	43,013,837	-	-	43,013,837
Charges to other BOCES	1,106,042	-	-	1,106,042
Use of money and property	284	-	-	284
Sale of property and compensation for loss	69,862	-	-	69,862
Miscellaneous	1,943,456	1,362,514	134,645	3,440,615
State sources	-	623,540	-	623,540
Federal sources	-	1,654,157	-	1,654,157
Total Revenues	<u>\$ 50,333,127</u>	<u>\$ 3,640,211</u>	<u>\$ 134,645</u>	<u>\$ 54,107,983</u>
EXPENDITURES				
Administration	\$ 3,973,423	\$ -	\$ -	\$ 3,973,423
Career and technical programs	9,823,955	186,837	-	10,010,792
Programs for exceptional students	13,293,288	682,906	-	13,976,194
Itinerant services	3,385,322	-	-	3,385,322
General instruction	2,423,863	162,880	-	2,586,743
Instruction support	6,625,911	1,799,174	-	8,425,085
Other services	7,571,592	809,692	94,856	8,476,140
Total Expenditures	<u>\$ 47,097,354</u>	<u>\$ 3,641,489</u>	<u>\$ 94,856</u>	<u>\$ 50,833,699</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,235,773	\$ (1,278)	\$ 39,789	\$ 3,274,284
OTHER CHANGES IN FUND BALANCE				
Refund of surplus unpaid	(3,235,773)	-	-	(3,235,773)
Reserve for unemployment insurance	23,500	-	-	23,500
Reserve for employment benefits	(32,635)	-	-	(32,635)
Reserve for advanced technical equipment	17	-	-	17
Plus encumbrances, ending	9,488	-	-	9,488
Less encumbrances, beginning	(326,797)	-	-	(326,797)
Total Other Changes in Fund Balance	<u>\$ (3,562,200)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,562,200)</u>
Net Change in Fund Balance	\$ (326,427)	\$ (1,278)	\$ 39,789	\$ (287,916)
Fund Balance - Beginning of year	<u>2,088,549</u>	<u>127,597</u>	<u>88,604</u>	<u>2,304,750</u>
Fund Balance - End of year	<u>\$ 1,762,122</u>	<u>\$ 126,319</u>	<u>\$ 128,393</u>	<u>\$ 2,016,834</u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Statement #4A

Net Change in Fund Balances **\$ (287,916)**

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

(Increases) decreases in accrued compensated absences 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. 32,645

On the statement of activities, the actual and projected long-term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits. (6,752,374)

(Increases) decreases in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$	3,302,418	
Employees' Retirement System		(325,862)	2,976,556

Repayment of lease obligation is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt payments made in the current period. 130,000

Governmental funds report capital outlays as expenditures. However, in the statement of activities, asset with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	862,446	
Depreciation expense		(781,029)	81,417

Changes in Net Position of Governmental Activities **\$ (3,819,672)**

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Statement of Fiduciary Net Position
June 30, 2016

Statement #5

Agency

ASSETS

Cash	\$ 254,250
Due from governmental funds	<u>34,614</u>
Total Assets	<u><u>\$ 288,864</u></u>

LIABILITIES

Extraclassroom activity balances	\$ 31,310
Other liabilities	<u>257,554</u>
Total Liabilities	<u><u>\$ 288,864</u></u>

See Notes to Financial Statements.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Note 1 – Significant Accounting Policies

The financial statements of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES (“BOCES”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by BOCES are described below:

A) 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. 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 Jefferson, Lewis, Hamilton, Herkimer, and Oneida Counties: Adirondack Central School, Alexandria Central School, Beaver River Central School, Belleville Henderson Central School, Carthage Central School, Copenhagen Central School, General Brown Central School, Indian River Central School, Inlet Common School, LaFargeville Central School, Lowville Academy and Central School, Lyme Central School, Sackets Harbor Central School, South Jefferson Central School, South Lewis Central School, Thousand Islands Central School, Town of Webb School and Watertown City School District.

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

The reporting entity of 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.

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

1) Extra-classroom Activity Funds

The Extra-classroom Activity Funds of BOCES represent funds of the students of BOCES. The Board of Education exercises general oversight of these funds. The Extra-classroom Activity Funds are independent of BOCES with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra-classroom

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Activity Funds can be found at BOCES' business office. BOCES accounts for assets held as an agent for various student organizations in an agency fund.

B) Basis of presentation

1) BOCES-wide statements

The Statement of Net Position and the Statement of Activities present financial information about BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through State aid, intergovernmental revenues, and other exchange and nonexchange 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 Activities presents a comparison between direct program expenses and revenues for each function of BOCES' governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, 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 are presented as general revenues.

2) Fund statements

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

BOCES reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes 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.

Legal Services: This fund accounts for fees received from BOCES' association of school districts for providing legal services and the related costs of providing those legal services.

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BOCES reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which 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 BOCES, and are not available to be used.

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 BOCES as agent for various student groups or extra-classroom activity funds and for payroll/employee withholding.

C) 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.

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which 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. BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days 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.

D) Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, 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.

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E) Inter-fund transactions

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

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

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

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

F) 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.

G) Cash (and cash equivalents)

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

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

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

H) Receivables

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

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I) Capital assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. Assets acquired through capital lease agreements are recorded in accordance with accounting principles generally accepted in the United States of America, which require capitalization at their fair market value as of the date of lease inception.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight Line	40 Years
Furniture and equipment	\$ 5,000	Straight Line	5 to 10 Years

BOCES does not possess any infrastructure.

J) 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 that time. BOCES has one item that qualifies for reporting in this category. The item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in BOCES' proportionate share of the collective net pension asset or liability and difference during the measurement period between BOCES' contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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

Pension Obligations

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

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Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer 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 the 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

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. BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 to 3.5

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percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

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

Contributions

	<u>ERS</u>	<u>TRS</u>
2015-2016	\$ 846,916	\$ 2,741,728
2014-2015	964,973	2,293,426
2013-2014	937,579	1,653,548

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. BOCES' proportion of the net pension asset/(liability) was based on a projection of BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to BOCES.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	03/30/16	06/30/15
Net pension asset/(liability)	\$ (3,371,485)	\$ 10,228,841
District's portion of the Plan's total net pension asset/(liability)	0.0210058%	0.098479%

For the year ended June 30, 2016, BOCES' recognized pension expense of \$1,172,778 for ERS and the actuarial value of \$2,593,195 for TRS. At June 30, 2016, BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 17,037	\$ -	\$ 399,633	\$ 283,485
Changes of assumptions	899,073	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,000,150	-	-	3,233,390
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	-	-	110,359	271,811
BOCES' contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 2,916,260</u>	<u>\$ -</u>	<u>\$ 509,992</u>	<u>\$ 3,788,686</u>

BOCES contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	<u>ERS</u>	<u>TRS</u>
2016	\$ -	\$(1,336,817)
2017	606,606	(1,336,817)
2018	606,606	(1,336,817)
2019	606,606	505,063
2020	586,450	(67,999)
Thereafter	-	(215,300)

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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 asset/(liability) to the measurement date.

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/16	6/30/15
Actuarial valuation date	4/1/15	6/30/14
Interest rate	7.0%	8.0%
Salary scale	3.80%	4.01-10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.00%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 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, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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 weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the next page:

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	ERS	TRS
Measurement date	03/31/16	06/30/15
Asset Type		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real estate	8.25%	4.60%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	3.40%
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Short term		1.20%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

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

The following presents BOCES' proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what BOCES' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 7.0% for TRS) or 1-percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate:

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ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (7,602,453)	\$ (3,371,485)	\$ 203,503
TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (697,739)	\$ 10,228,841	\$ 19,546,919

Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Valuation date	3/31/2016	6/30/2015	
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (99,332,104)	\$ (271,635,648)
Plan Net Position	<u>(156,253,265)</u>	<u>(109,718,917)</u>	<u>(265,972,182)</u>
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>	<u>\$ (5,663,466)</u>
Ration of plan net position to the Employers' total pension asset/(liability)	90.68%	110.46%	97.92%

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$352,008.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as

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reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,999,057.

K) Unearned Revenue

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

L) Vested employee benefits

Compensated absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation.

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.

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

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

M) Other benefits

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

In addition to providing pension benefits, BOCES provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

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N) Short-term debt

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.

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.

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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

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 following the year in which they were issued.

O) Accrued liabilities and long-term obligations

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

Long-term obligations represent 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.

P) 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.

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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, or 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 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. There were no nonspendable funds at June 30, 2016.

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. 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.

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.

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 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.

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 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

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Commission of Education. The maximum amount that may be retained in the reserve is equal to the greater of 20% of the current education services budget or \$500,000, provided the total amount shall not exceed \$2,000,000. Any amounts remaining in the reserve at the time of liquidation shall be distributed to the participating districts within ninety days.

Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes the following:

General Fund:

Employee benefit accrued liability	\$328,511
Retirement contributions	404,585
Unemployment contributions	662,085
Advanced technical equipment	<u>357,453</u>
Total restricted funds	<u>\$ 1,752,634</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of BOCES' highest level of decision making authority, i.e., the Board of Education. BOCES has no committed fund balances as of June 30, 2016.

Assigned – Includes amounts that are constrained by BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$9,488.

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 BOCES. There were no unassigned funds at June 30, 2016.

Order of Use of Fund Balance

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 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 Purchasing Agent has the authority to assign fund balance as it relates to encumbrances. The Board of Education will be responsible for the assignment of fund balances as it relates to appropriated fund balance. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Q) New accounting standards:

BOCES has adopted and implemented the following (all) current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2016:

GASB has issued Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

R) Future changes in accounting standards:

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

Note 2 – Explanation of certain differences between governmental fund statements and District-wide statements

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

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of BOCES' 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 Sheet.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Notes to Financial Statements

June 30, 2016

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 transaction 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 BOCES' proportion of the collective net pension asset/ (liability) and differences between BOECS' contributions and its proportionate share of the total contributions to the pensions systems.

Note 3 – Stewardship, compliance and accountability

Budgets

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

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

Appropriations for educational services are adopted at the program level.

A tentative administrative budget is provided to the component districts 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 expensed or encumbered. Encumbrances will lapse if not expended in the subsequent year. BOCES board can approve supplementary appropriations based on requests for additional services and surplus revenues. See supplemental

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Schedule of Change from Adopted 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.

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

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.

Note 4 – Cash (and cash equivalents) – custodial credit, concentration of credit, interest rate and foreign currency risks:

Cash

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

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>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the BOCES' name	\$ <u>8,203,058</u>

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 \$1,752,634 within the governmental funds.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Note 5 – Receivables

Receivables at year-end are as follows:

Description	General	Special Aid	Legal Services	Total
Due from State and Federal	\$ 6,377,511	\$ 1,220,250	\$ -	\$ 7,597,761
Due from Other governments	11,158	-	-	11,158
Other	<u>48,156</u>	<u>104,683</u>	<u>2,984</u>	<u>155,823</u>
Total	<u>\$ 6,436,825</u>	<u>\$ 1,324,933</u>	<u>\$ 2,984</u>	<u>\$ 7,764,742</u>

BOCES management has deemed the amounts to be fully collectible.

Note 6 – Capital assets

Capital asset balances and activity were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 246,097	\$ -	\$ -	\$ 246,097
Construction in progress	<u>44,481</u>	<u>282,847</u>	<u>(44,481)</u>	<u>282,847</u>
Total nondepreciable	<u>\$ 290,578</u>	<u>\$ 282,847</u>	<u>\$ (44,481)</u>	<u>\$ 528,944</u>
Capital assets that are depreciated:				
Site improvements	\$ 283,182	\$ -	\$ -	\$ 283,182
Buildings	18,227,355	161,811	-	18,389,166
Furniture and equipment	<u>3,792,028</u>	<u>462,269</u>	<u>(51,199)</u>	<u>4,203,098</u>
Total depreciable assets	<u>22,302,565</u>	<u>624,080</u>	<u>(51,199)</u>	<u>22,875,446</u>
Less accumulated depreciation:				
Site improvements	14,063	7,079	-	21,142
Buildings	8,397,302	520,281	-	8,917,583
Furniture and equipment	<u>2,706,625</u>	<u>253,669</u>	<u>(51,199)</u>	<u>2,909,095</u>
Total accumulated depreciation	<u>11,117,990</u>	<u>781,029</u>	<u>(51,199)</u>	<u>11,847,820</u>
Total depreciated assets, net	<u>\$ 11,184,575</u>	<u>\$ (156,949)</u>	<u>\$ -</u>	<u>\$ 11,027,626</u>

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Assets held through a capital lease agreement at June 30, 2016 are as follows:

Buildings	\$ 650,000
Site improvements	<u>283,182</u>
Total Capital Assets	933,182
Less: Accumulated Depreciation	<u>67,455</u>
Net Book Value	<u><u>\$ 865,727</u></u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 71,511
Career & technical programs	548,407
Programs for exceptional students	<u>161,111</u>
Total depreciation expense	<u><u>\$ 781,029</u></u>

Depreciation expense for the year ended June 30, 2016, included \$22,517 of depreciation related to assets recorded under a capital lease.

Note 7 – Short-term debts

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	3/14/2016	0.87%	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>

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

Interest paid	\$ 20,300
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>-</u>
Total expense	<u><u>\$ 20,300</u></u>

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Note 8 – Long-term debt obligations

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

Other liabilities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Compensated absences payable	\$ 361,145	\$ -	\$ 32,645	\$ 328,500
Other postemployment benefits payable	34,343,308	6,752,374	-	41,095,682
Lease obligation	<u>390,000</u>	<u>-</u>	<u>130,000</u>	<u>260,000</u>
Total other liabilities	<u>\$ 35,094,453</u>	<u>\$ 6,752,374</u>	<u>\$ 162,645</u>	<u>\$ 41,684,182</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and other postemployment benefits payable.

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

	<u>Gross Lease Payment</u>	<u>Less: Amount Representing Interest</u>	<u>Principal Portion</u>
2017	\$ 150,000	\$ 20,000	\$ 130,000
2018	<u>150,000</u>	<u>20,000</u>	<u>130,000</u>
Total	<u>\$ 300,000</u>	<u>\$ 40,000</u>	<u>\$ 260,000</u>

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

Interest paid	\$ 20,000
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>-</u>
Total expense	<u>\$ 20,000</u>

Note 9 – Pension plans

General information

BOCES participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee 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.

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Notes to Financial Statements
June 30, 2016

Provisions and administration

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

Funding policies

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

BOCES is required to contribute at a rate determined actuarially by the Systems. BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. BOCES chose to prepay the required contributions by December 15, 2015 and received an overall discount of \$7,690. Required contributions for the current and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2015-2016	\$ 2,741,728	\$ 846,916
2014-2015	2,293,426	964,973
2013-2014	1,653,548	937,579

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 ending 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 BOCES exercised.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Note 10 – Interfund Transactions – Governmental Funds

Interfund balances at June 30, 2016 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 1,231,769	\$ -	\$ -	\$ -
Special Aid	-	1,266,383	-	-
Total Government Activities	1,231,769	1,266,383	-	-
Fiduciary	34,614	-	-	-
Total	<u>\$ 1,266,383</u>	<u>\$ 1,266,383</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 11 – Fund Balance Equity

The following is a summary of the Governmental Funds fund balances of BOCES at the year ended June 30, 2016.

<u>Fund Balances</u>	<u>General</u>	<u>Special Aid</u>	<u>Legal Services</u>	<u>Governmental Funds</u>
Restricted				
Employee benefit accrued liability	\$ 328,511	\$ -	\$ -	\$ 328,511
Retirement contributions	404,585	-	-	404,585
Unemployment contributions	662,085	-	-	662,085
Advanced technical equipment	357,453	-	-	357,453
Assigned				
Designated for next fiscal year -				
Administration	1,588	-	-	1,588
Career & technical programs	357	-	-	357
Programs for exceptional students	450	-	-	450
Itinerant services	3,243	-	-	3,243
Instruction support	3,850	-	-	3,850
Special aid	-	126,319	-	126,319
Legal services	-	-	128,393	128,393
Total Governmental Fund Balance	<u>\$ 1,762,122</u>	<u>\$ 126,319</u>	<u>\$ 128,393</u>	<u>\$ 2,016,834</u>

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Note 12 – Postemployment (Health Insurance) Benefits

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

BOCES implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, in the school year ended June 30, 2009. This required BOCES to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

BOCES participates in the Jefferson-Lewis Et. Al. Employee Health Insurance Plan (the Plan). The Plan allows eligible BOCES employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

- Eligible teachers and administrators are those who are at least age 55 with 10 years of service.
- Duration of Coverage: Retirees benefits continue for the life of the retiree. Spousal benefits continue for the life of the spouse.
- Surviving Spouse Coverage: Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 100% of the plan premium.
- Retiree Contributions: All retirees and dependents contribute 10% of the plan premium.
- Medicare Part B: Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees and dependents, but not surviving spouses.

BOCES recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, BOCES recognized \$1,958,257 for its share of insurance premiums for currently enrolled retirees.

BOCES has obtained an actuarial projection report for fiscal year 2016 based on fiscal year 2015 which indicates that the total liability for other postemployment benefits is \$41,095,682, which is reflected in the Statement of Net Position.

Annual OPEB Cost and Net OPEB Obligation: BOCES' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of BOCES' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in BOCES' net OPEB obligation:

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

Annual Required Contribution	\$ 9,300,123
Interest on Net OPEB Obligation	1,373,732
Adjustment to Annual Required Contribution	<u>(1,986,077)</u>
Annual OPEB Cost (Expense)	8,687,778
Contributions Made	<u>(1,935,404)</u>
Increase in Net OPEB Obligation	6,752,374
Net OPEB Obligation - Beginning of Year	<u>34,343,308</u>
Net OPEB Obligation - End of Year	<u><u>\$ 41,095,682</u></u>

BOCES' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 8,687,778	22.28%	\$ 41,095,682
June 30, 2015	8,329,776	21.68%	34,343,308
June 30, 2014	6,464,439	30.05%	27,819,329

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$89,974,782, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$89,974,782. The covered payroll (annual payroll of active employees covered by the plan) was \$20,483,305 and the ratio of the UAAL to the covered payroll was 439.26%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

assets, consistent with the long-term perspective of the calculations. A summary of the methods and assumptions is provided below:

Actuarial methods and assumptions

Measurement date	6/30/2015
Investment rate of return	4.00%
Expected return on plan assets	N/A
Expected return on employer's assets	4.00%
Rate of compensation increase	N/A
Inflation rate	2.25%

Assumed pre-65 medical trend rates at June 30

Health care cost trend rate assumed for next fiscal year	7.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075

Assumed post-65 medical trend rates at June 30

Health care cost trend rate assumed for next fiscal year	6.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075

Assumed prescription drug trend rates at June 30

Health care cost trend rate assumed for next fiscal year	8.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075

Assumed Medicare Part B trend rates at June 30

Health care cost trend rate assumed for next fiscal year	6.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.886%
Fiscal year that the rate reaches the ultimate trend rate	2075

Additional information

Actuarial cost method	Projected unit credit
Amortized cost methods	Level dollar
Amortized period	Single
Amortized period (in years)	30.00
Amortized period status	Open
Method used to determine actuarial value of assets	N/A

Note 13 – Risk Management

General

BOCES is exposed to various risks of loss related to torts, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Financial Statements
June 30, 2016

third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Consortiums and Self Insured Plans

BOCES participates in the Jefferson-Lewis Et. Al. Schools Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 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 \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and BOCES has essentially transferred all related risk to the pool

BOCES participates in the Black River Valley Schools 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. BOCES' share of the liability for unbilled open claims is \$0.

Note 14 – Lease obligations

Operating

BOCES leases certain equipment under the terms of various non-cancelable leases. Rental expense for the year was \$183,094.

Minimum annual rentals for each of the remaining years of the leases are:

For the fiscal years ended June 30:

2017	\$	194,628
2018		189,607
2019		139,046
2020		82,444
2021		34,921
Total	\$	<u>640,646</u>

Capital

BOCES entered into a lease for the former St. Peter's School in Lowville, NY. Monthly lease payments of \$12,500 began on July 1, 2013 and continue until June 30, 2018. The lease may be extended for an additional period up to five years with monthly payments of \$1,666.66. BOCES has the option to purchase the property for \$650,000 and will receive a credit toward the purchase price equal to \$10,833.33 multiplied by the number of months the property has been leased. Future payments under the lease are summarized on the next page:

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Notes to Financial Statements

June 30, 2016

2017	\$	150,000
2018		150,000
2019		-
2020		-
2021		-
Total	\$	<u>300,000</u>

Note 15 – Commitments and Contingencies

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

BOCES is the lead in forming a consortium for solar power. Various school districts and municipalities are members. A New York State Energy Research Development Authority (NYSERDA) grant was received to study the feasibility of using a consortium to obtain better pricing for power. BOCES has signed a purchase power agreement with the developer.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

SS #1

Required Supplementary Information**Schedule of Funding Progress****Other Post Employment Benefits Plan****For the Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/16	\$ -	\$ 89,974,782	89,974,782	0%	\$ 20,483,305	439.26%
06/30/15	-	89,974,782	89,974,782	0%	20,896,416	430.58%
06/30/14	-	72,752,202	72,752,202	0%	19,081,712	381.27%

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

Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>		<u>Final Budget Variance with Budgetary Actual</u>
REVENUES					
Administration	\$ 4,322,244	\$ 4,322,484	\$ 4,306,117		\$ (16,367)
Career and technical programs	11,139,957	11,198,457	11,046,240		(152,217)
Programs for exceptional students	15,203,849	15,293,670	14,568,216		(725,454)
Itinerant services	3,996,843	4,266,473	3,605,608		(660,865)
General instruction	2,425,978	3,141,987	2,376,647		(765,340)
Instruction support	4,863,114	7,313,262	6,788,838		(524,424)
Other services	4,983,877	7,912,018	7,641,461		(270,557)
Total revenues	<u>\$ 46,935,862</u>	<u>\$ 53,448,351</u>	<u>\$ 50,333,127</u>		<u>\$ (3,115,224)</u>
EXPENDITURES					
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual & Encumbrances</u>
Administration	\$ 4,322,244	\$ 4,322,484	\$ 3,973,423	\$ 1,588	\$ 347,473
Career and technical programs	11,139,957	11,198,457	9,823,955	357	1,374,145
Programs for exceptional students	15,203,849	15,293,670	13,293,288	450	1,999,932
Itinerant services	3,996,843	4,266,473	3,385,322	3,243	877,908
General instruction	2,425,978	3,141,987	2,423,863	-	718,124
Instruction support	4,863,114	7,313,262	6,625,911	3,850	683,501
Other services	4,983,877	7,912,018	7,571,592	-	340,426
Total expenditures	<u>46,935,862</u>	<u>53,448,351</u>	<u>47,097,354</u>	<u>\$ 9,488</u>	<u>\$ 6,341,509</u>
Excess of revenue over expenditures	<u>-</u>	<u>-</u>	<u>3,235,773</u>		
OTHER CHANGES IN FUND BALANCE					
Refund of surplus unpaid	-	-	(3,235,773)		
Reserve for unemployment insurance	-	-	23,500		
Reserve for unemployment benefits	-	-	(32,635)		
Reserve for advanced technical equipment	-	-	17		
Plus encumbrances, ending	-	-	9,488		
Less encumbrances, beginning	-	-	(326,797)		
Total changes in fund balance	<u>-</u>	<u>-</u>	<u>(3,562,200)</u>		
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(326,427)</u>		
Fund Balance - Beginning of Year	<u>2,088,549</u>	<u>2,088,549</u>	<u>2,088,549</u>		
Fund Balance - End of Year	<u>\$ 2,088,549</u>	<u>\$ 2,088,549</u>	<u>\$ 1,762,122</u>		

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

SS#3

Required Supplementary Information

Schedule of BOCES Contributions

NYSTRS Pension Plan

Last 2 Fiscal Years

For the Year Ended June 30, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 2,293,426	\$ 2,741,728
Contributions in Relation to the Contractually Required Contribution	<u>2,293,426</u>	<u>2,741,728</u>
Contribution Deficiency (Excess)	\$ -	\$ -
BOCES' Covered-Employee Payroll	\$ 13,503,715	\$ 14,892,611
Contributions as a Percentage of Covered-Employee Payroll	16.98%	18.41%

Schedule of BOCES Contributions

NYSERS Pension Plan

Last 2 Fiscal Years

For the Year Ended June 30, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 964,973	\$ 846,916
Contributions in Relation to the Contractually Required Contribution	<u>964,973</u>	<u>846,916</u>
Contribution Deficiency (Excess)	\$ -	\$ -
BOCES' Covered-Employee Payroll	\$ 5,340,752	\$ 5,095,129
Contributions as a Percentage of Covered-Employee Payroll	18.07%	16.62%

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Required Supplementary Information
BOCES' Proportionate Share of the Net Pension Liability
NYSTRS Pension Plan
Last 2 Fiscal Years
For the Year Ended June 30, 2016

SS#4

	<u>2014</u>	<u>2015</u>
BOCES' Proportion of the Net Pension Liability (Asset)	0.090073%	0.133220%
BOCES' Proportionate Share of the Net Pension Liability (Asset)	\$ (10,033,591)	\$ (10,228,841)
BOCES' Covered-Employee Payroll	\$ 13,503,715	\$ 14,892,611
BOCES' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	74.30%	68.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	111.48%	110.46%

Schedule of BOCES' Proportionate Share of the Net Pension Liability
NYSERS Pension Plan
Last 2 Fiscal Years
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2016</u>
BOCES' Proportion of the Net Pension Liability (Asset)	0.021392%	0.028164%
BOCES' Proportionate Share of the Net Pension Liability (Asset)	\$ 722,658	\$ 3,371,485
BOCES' Covered-Employee Payroll	\$ 5,340,752	\$ 5,095,129
BOCES' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.53%	66.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	97.90%	90.68%

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES**SS #5****Supplementary Information****Schedule of Change from Adopted Budget to Final Budget - General Fund**
For the Year Ended June 30, 2016

Adopted budget	\$ 46,609,065
Add: Prior year's encumbrances	<u>326,797</u>
Original budget	46,935,862
Budget revision	<u>6,512,489</u>
Final budget	<u>\$ 53,448,351</u>

The original budget was revised for the following programs:

Budget increases:

Administration	\$ 240
Career and technical programs	58,500
Programs for exceptional students	89,821
Itinerant services	269,630
General instruction	716,009
Instruction support	2,450,148
Other services	<u>2,928,141</u>
Net increase	<u>\$ 6,512,489</u>

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Analysis of Account A431 School Districts
June 30, 2016

SS#6

July 1 - Debit (credit) balance	<u>\$ (2,858,036)</u>
Debits:	
Billings to school districts	48,319,525
Refund of balances due school districts	4,477,578
Encumbrances, end of year	<u>9,488</u>
Total Debits	<u>52,806,591</u>
Credits:	
Collection from school districts	49,189,169
Adjustment - credits to school districts:	
Revenues in excess of expenditures	3,235,773
Encumbrances, beginning of year	<u>326,797</u>
Total Credits	<u>52,751,739</u>
June 30 - Debit (credit) balance	<u><u>\$ (2,803,184)</u></u>

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

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

SS #7

Supplementary Information

Net Investment in Capital Assets

For the Year Ended June 30, 2016

Capital assets, net			\$ 11,556,570
Deduct:			
Short-term portion of lease obligation		130,000	
Long-term portion of lease obligation		<u>130,000</u>	<u>260,000</u>
Net Investment in Capital Assets			<u>\$ 11,296,570</u>

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

STACKEL & NAVARRA, C.P.A., P.C.

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

Board of Education

Jefferson-Lewis-Hamilton-Herkimer-Oneida 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, each major fund, and the aggregate remaining fund information of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson-Lewis-Hamilton-Herkimer-Oneida 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 Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stackel + Navarra, CPA, PC

Watertown, NY
October 17, 2016

STACKEL & NAVARRA, C.P.A., P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Report on Compliance for Each Major Federal Program

We have audited Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' major federal programs for the year ended June 30, 2016. Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stackel & Navarra, CPA, PC

Watertown, NY
October 17, 2016

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA - Part B (Section 611)	84.027	C012196	\$ 279,871
IDEA - Part B (Section 611)	84.027	C012172	915,494
IDEA - Part B (Section 611)	84.027	0031-16-0022	123,858
Total Special Education Cluster			1,319,223
Career and Technical Education - Basic Grants to States	84.048	8000-16-0055	186,837
Total Passed-through NYS Education Department			1,506,060
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063		277,711
Federal Direct Student Loans	84.268		345,094
Total Student Financial Assistance Cluster			622,805
Total Direct Programs			622,805
<i>Total, U.S. Department of Education</i>			2,128,865
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Distance Learning and Telecommunication Loans and Grants	10.855		148,095
Total Direct Programs			148,095
<i>Total, U.S. Department of Agriculture</i>			148,095
Total Federal Assistance			\$ 2,276,960

See Notes to Schedule of Expenditures of Federal Awards.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

Note 1 – Summary of certain significant accounting policies:

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by BOCES, which is described in Note 1 to BOCES' accompanying financial statements using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. BOCES' policy is not to charge federal award programs with indirect costs.

Matching costs (BOCES' share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with BOCES' financial reporting system.

Note 2 – Subrecipients:

No amounts were provided to subrecipients.

Note 3 – Other disclosures:

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by BOCES' casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified that are not
considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified that are not
considered to be material weakness(es)? _____ yes X none reported

Type of auditor's opinion(s) issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>Name of federal program</u>	<u>CFDA Number</u>
Special Education – Grants to States	84.027

Dollar threshold used to distinguish between Type A and Type B
Programs \$750,000

Auditee qualified as low risk? X yes _____ no

Section II - Financial Statements Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Department of Education

Finding 2015-01: State Fiscal Stabilization Fund (SFSF) – Race-To-The-Top Incentive Grants, Recovery Act, CFDA 84.395

Condition: Documentation of employee time and effort was incomplete or missing for certain employees paid with funds from this program.

Recommendation: Training should be provided to grant administrators, sufficient to allow them to understand the requirements for employee time and effort documentation, and also require that grant administrators review on a regular basis such documentation for completeness and accuracy. Employees working on multiple federal award programs should be identified and verified that they are meeting the applicable time reporting requirements.

Current Status: There were no similar findings noted in the 2016 audit.

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Board of Education
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Management Letter

In planning and performing our audit of the financial statements of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES for the year ended June 30, 2016, we considered BOCES' internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of items that are opportunities for strengthening internal controls and operating efficiency.

We previously reported on BOCES' internal control structure in our report dated October 17, 2016. This letter does not affect our report dated October 17, 2016, on the financial statements of Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various BOCES personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Finding:

We noted the following exceptions in the Extra-classroom Activity Fund:

- We noted that five out of ten cash receipts examined did not have the signatures of the advisor and activity treasurer.
- We noted that of the ten disbursements tested, two disbursements did not have the required signature of the activity treasurer on the disbursing order, one disbursement did not have supporting documentation, and two disbursements did not have receiving documents attached showing evidence that goods had been received.
- Profit and loss statements were not prepared for fundraisers.

STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

Board of Education

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

Recommendation:

Central treasurers, advisors, and student activity treasurers of BOCES should be provided Finance Pamphlet 2, *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds* and should be strongly encouraged to follow the instruction therein. Additional training should be provided as necessary.

Management's Response:

BOCES Management will review procedures for purchasing and paying from the Extra-classroom Activity Fund with the staff in charge of these accounts to ensure proper procedures are followed. Specifically, we will review the requirement for signatures on all cash receipts and disbursements.

Management will also review the requirements for the required supporting documentation for disbursements.

BOCES Management will work with their internal auditor to provide training for student treasurers and the faculty advisors on completing profit and loss statements and also the proper oversight of the Extra-classroom Activity Fund in general.

Stackel & Navarra, CPA, PC

Stackel & Navarra, C.P.A., P.C.

October 17, 2016

JEFFERSON-LEWIS-HAMILTON-
HERKIMER-ONEIDA BOCES
EXTRACLASSROOM ACTIVITY FUND
JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Education

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES

We have audited the accompanying Statement of Cash Receipts and Disbursements of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES (BOCES) extraclassroom activity funds for the year ended June 30, 2016, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash transactions of the extraclassroom activity funds of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES for the year ended June 30, 2016, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Stackel & Navarra, CPA, PC

October 17, 2016

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Extra Classroom Activity Fund
Statement of Cash Receipts and Disbursements
Year Ended June 30, 2016

	<u>Beginning Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Balance</u>
Charles H. Bohlen Jr. Technical Center				
Vocational Classes				
Skills USA	\$ 17,435	\$ 25,178	\$ 18,686	\$ 23,927
Alternative High School	609	-	-	609
Total	<u>\$ 18,044</u>	<u>\$ 25,178</u>	<u>\$ 18,686</u>	<u>\$ 24,536</u>
Howard G. Sackett Technical Center				
Skills USA	\$ 6,152	\$ 18,630	\$ 18,008	\$ 6,774
Total	<u>\$ 6,152</u>	<u>\$ 18,630</u>	<u>\$ 18,008</u>	<u>\$ 6,774</u>

See note to financial statement.

Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Extraclassroom Activity Funds
Note to Financial Statement
June 30, 2016

Note 1 – Summary of significant accounting policies:

The Extraclassroom Activity Funds of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES represents funds of the students of BOCES. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and the designation of student management.

The accounts of the Extraclassroom Activity Funds of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.