

**Franklin-Essex-Hamilton BOCES**  
**Annual Report**  
**June 30, 2009**

**Franklin-Essex-Hamilton BOCES**  
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Independent Auditors' Report

To the Board of Education  
Franklin-Essex-Hamilton BOCES

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin-Essex-Hamilton BOCES, as of and for the year ended June 30, 2009 which collectively comprise the BOCES' basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds, and each fiduciary fund type of Franklin-Essex-Hamilton BOCES, as of and for the year ended June 30, 2009, as displayed in the BOCES' basic financial statements. These financial statements are the responsibility of Franklin-Essex-Hamilton BOCES' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as well as of the aggregate nonmajor governmental funds, and each fiduciary fund type of Franklin-Essex-Hamilton BOCES as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2009 on our consideration of Franklin-Essex-Hamilton BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin-Essex-Hamilton BOCES' basic financial statements. The accompanying supplementary information as contained in the Reference Manual for Audits of General Purpose Financial Statements of New York State BOCES is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of Franklin-Essex-Hamilton BOCES. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Seyfarth & Seyfarth* CPAs, P.C.  
Seyfarth & Seyfarth CPAs, P.C.

October 7, 2009

**Board of Cooperative Educational Services  
Sole Supervisory District  
Franklin-Essex-Hamilton Counties**

**Management's Discussion and Analysis**

Prepared by: Rick J. Swanston, Director of  
Management Services

Susan M. Perkins, Business  
Manager/District Treasurer

**Franklin-Essex-Hamilton BOCES**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2009**

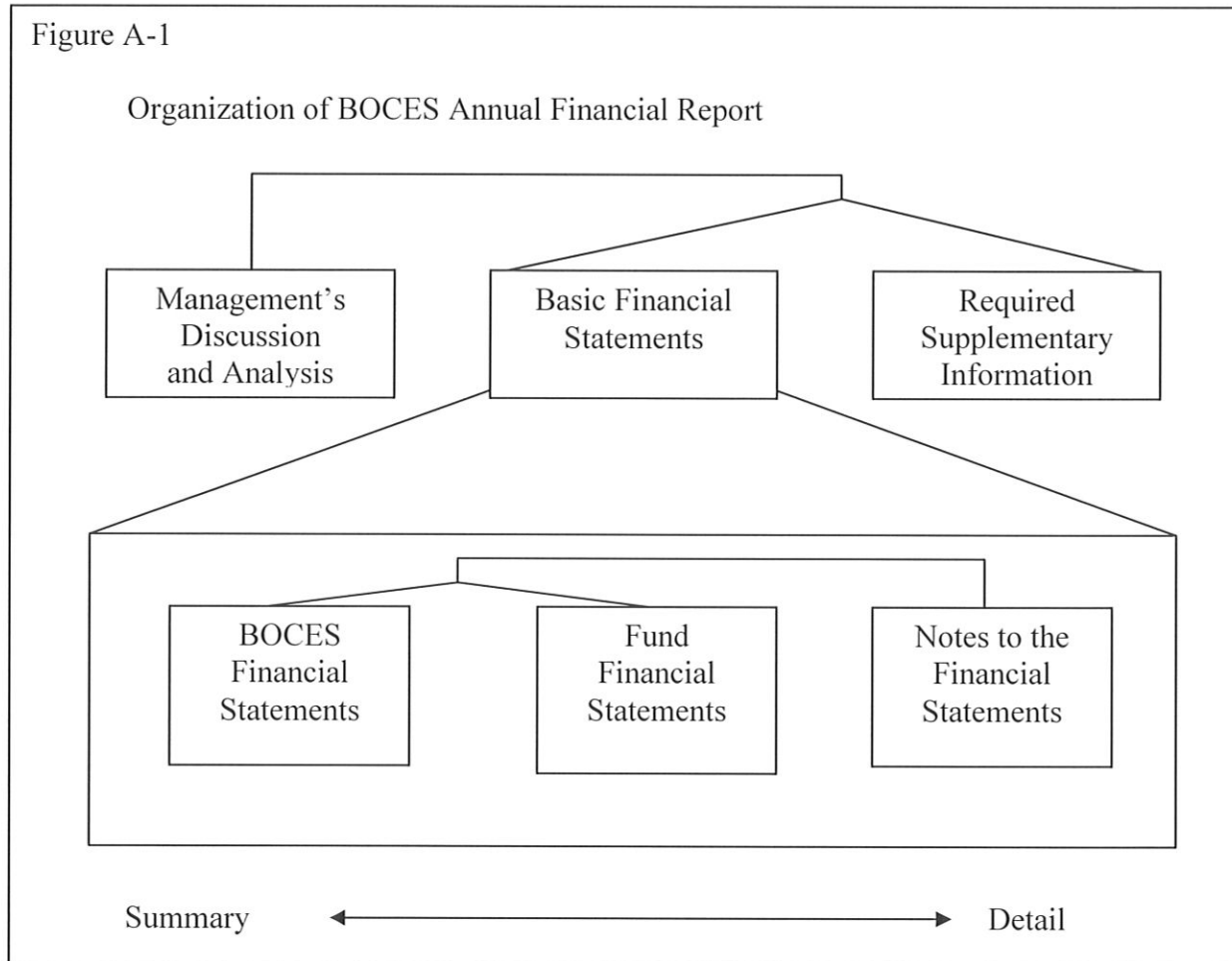
The following is a discussion and analysis of the BOCES financial performance for the year ended June 30, 2009. This section is a summary of the BOCES financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the BOCES financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The total expenses for the BOCES increased to \$25,488,528, which was \$5,425,780 more than the previous year. While the total BOCES revenue for 2009 was \$21,208,034 compared to 2008 of \$20,303,337.
- The \$4,199,891 of the \$5,425,780 increase in expenses is primarily due to the implementation of GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the BOCES to calculate and record a net other post-employment benefit obligation at year-end.
- \$253,898 of the \$5,425,780 is due to Compensated Absences. Contractual agreements made it necessary for the financial records to reflect all staff with one or more years of service. In the past, compensated absences reflected employees with ten (10) or more years.
- \$971,991 of the \$5,425,780 is a result of new programs such as New Vision: Government and Law and an increase in current services being offered to component school districts.

# OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (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:

- In accordance with GASB-34, BOCES-wide financial statements provide both short-term and long-term information about the overall financial status.
- Fund financial statements focus on revenues and expenditures of the BOCES, reporting the BOCES operations in more detail than the BOCES-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

## **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 Condensed Statement of Net Assets (see Figure A-2) includes all of the BOCES assets (cash, receivables, and physical property) and liabilities (debt & payables). All of the current year's revenues and expenses are accounted for in the Changes in Net Assets from Operating Results (see Figure A-3) regardless of when cash is received or paid.

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

- Over time, increases or decreases in the BOCES net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES overall health, one needs to consider additional non-financial factors such as the relative fiscal health of its component districts, which could impact their ability to request services.

In the BOCES-wide financial statements, activities are shown as *governmental activities*. Most of the BOCES basic services are included here, such as regular and special education, transportation, and administration. Component and Cross-Contracts for services plus grant funding 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 (General, Special Aid and Capital) - 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 manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The BOCES has two 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. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

Net assets: The BOCES *combined* net assets had a decrease on June 30, 2009, as compared to June 30, 2008, decreasing by 113 percent to (\$499,825). (See Figure A-2.)

Figure A-2

<b>Condensed Statement of Net Assets</b>			
	<b>2008</b>	<b>2009</b>	<b>% of Change</b>
1) Current and Other Assets (i.e. cash, accounts receivable)	5,838,637	6,171,111	5.69%
2) Capital Assets (i.e. buildings and fixed assets, etc.)	3,102,966	2,940,306	-5.24%
<b>Total Assets</b>	<b>8,941,603</b>	<b>9,111,417</b>	
3) Long-Term (i.e. compensated absences, copiers, TRS, ERS)	1,192,802	1,395,649	17.01%
4) Long-Term (Post Employment Benefits other than Pensions)	-	4,199,891	
5) Other Liabilities (i.e. accounts payable, State Aid due to school districts)	3,968,132	4,015,702	1.20%
<b>Total Liabilities</b>	<b>5,160,934</b>	<b>9,611,242</b>	
<b>Net Assets</b>			
6) Invested in Capital Assets, Net of Related Debt	2,980,802	2,850,720	-4.36%
7) Restricted (i.e. CTE Reserve, Employee Benefit, Unempl Ins)	1,020,542	1,096,786	7.47%
8) Unrestricted (i.e. capital projects less compensated absences)	(220,675)	(247,440)	12.13%
9) Unrestricted (Post Employment Benefits other than Pensions)	-	(4,199,891)	
<b>Total Net Assets</b>	<b>3,780,669</b>	<b>(499,825)</b>	<b>-113.22%</b>

Figure A-3

**Changes in Net Assts from Operating Results**

	<b>2008</b>	<b>2009</b>	<b>% of Change</b>
Revenues			
Program Revenues			
1) Charges for Services	17,160,800	18,282,325	6.54%
2) Operating Grants and Contributions	2,553,127	2,614,212	2.39%
General Revenues			
3) Interest and Earnings	79,006	29,698	-62.41%
4) Miscellaneous and Other Sources	510,404	281,799	-44.79%
<b>Total Revenues</b>	<b>20,303,337</b>	<b>21,208,034</b>	
Expenses			
5) Administration	1,248,636	1,602,669	28.35%
6) Capital Outlay	119,847	133,926	11.75%
7) Career & Technical Education	3,934,973	5,190,007	31.89%
8) Instruction for the Handicapped	7,016,929	9,067,606	29.22%
9) Itinerant Services	1,038,522	1,377,844	32.67%
10) General Instruction	1,728,436	1,992,102	15.25%
11) Instructional Support	2,835,522	3,253,473	14.74%
12) Other Services	2,031,259	2,762,267	35.99%
13) Unallocated Depreciation Expense	108,624	108,634	0.01%
14) Loss on Disposal of Fixed Assets	-	-	-
	<b>20,062,748</b>	<b>25,488,528</b>	
Increase in Net Assets	240,589	(4,280,494)	-1879.17%

The total cost of all programs and services were increased by 27 percent to \$25,488,528. The BOCES expenses are predominantly related to instruction and pupil-related services which is approximately 69.2 percent of the BOCES expenditures. The BOCES administrative activities accounted for 6.8 percent of total costs.

General revenues of the BOCES governmental activities were \$311,497. (See figure A-3) This figure includes interest earnings, miscellaneous and prior year revenues, E-rate, and funds received from New York State and Federal sources.

Operating grants and contributions on June 30, 2009 were \$2,614,212 (see figure A-3-#2). This is funding received from New York State and local municipalities as well as Federal sources.



The BOCES Charges for Services on June 30, 2009 was \$18,282,325 (see Figure A-3-#1). This consists of the cost of component district's requested services, the administrative charges and the cost for services such as Special Education, Preschool, Summer School and Management Services Programs.

The BOCES Interest Earnings of \$29,698 on June 30, 2009 as a result of the current economic situation (see Figure A-3 - #3).

The BOCES Miscellaneous Revenues on June 30, 2009 was \$311,497 (see Figure A-3 - #4). The BOCES Miscellaneous Revenues came from printing supplies, computer services, adult tuition, courier service, e-rate, teacher certification study guides, and vocational receipts.

Total expenses surpassed the revenues, decreasing net assets \$4,280,494. The \$4,199,891 of the \$5,425,780 increase in expenses is primarily due to the implementation of GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the BOCES to calculate and record a net other post-employment benefit obligation at year-end.

The BOCES Expenses for Administration was \$1,602,669 on June 30, 2009 (see Figure A-3 - #5). The charges for Administration make up about 6.8% of the total expenses.

The BOCES Expenses for Career and Technical Education was \$5,190,007 (see Figure A-3 - #7). The charges for Career and Technical Education is from the school district student enrollment in Career and Technical Educational Programs provided at the BOCES.

The BOCES Expenses for the Instruction for the Handicapped was \$9,067,606 (see Figure A-3 - #8). The expenses cover the costs associated with providing education to students with a wide variety of special learning needs including the costs of aides to the students and specialized learning plans as well as services provided to Local, State and Federal municipalities to instruct students from preschool to extended school year.

The BOCES Expenses for Itinerant Services was \$1,377,844 (see Figure A-3 - #9). This charge is based on school districts' requests for shared services of a BOCES employee to provide services to their students. This year these services included Visually Impaired, Speech, Music, Art, Physical Education, Hard of Hearing, Counseling, Nurse, School Psychologist, Physical Therapist, and Occupational Therapist.

The BOCES Expenses for General Instruction was \$1,992,102 (see Figure A-3 - #10). This includes expenses for programs provided at the requests of school districts to assist in the assorted instructional needs of students, distance learning, and State and Federal monies to provide services for adult education and family literacy programs.

The BOCES Expenses for Instructional Support is \$3,253,473 (see Figure A-3 - #11). This expense is for programs that serve every teacher and administrator within component districts with an array of programs and services ranging from instructional technology, media production, library services, technical repair services and school improvement and staff development.

The BOCES Expenses for Other Services totaled \$2,762,267 (see Figure A-3 - #12). This expense includes personnel relations, cooperative purchasing, shared business office, computer services, health/safety/risk management, teacher certification, personnel recruitment, and state aid planning.

The BOCES Expenses for Unallocated Depreciation Expense is \$108,634 (see Figure A-3 - #13). This represents the depreciation of buildings over their useful life.

Figure A-4

Capital Net Assets, Net of Depreciation (in the thousands of dollars)			
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>% Change</u></b>
Land	38	38	---
Buildings – work in progress	16	64	305.8%
Buildings	2,500	2,392	(4.34%)
Furniture and Equipment	<u>549</u>	<u>447</u>	<u>(18.56%)</u>
<b>Total Assets</b>	<b><u>3,103</u></b>	<b><u>2,941</u></b>	

The BOCES Capital Net Assets, Net of Depreciation (See Figure A-4) is, for the purpose of this report, the Assets owned and purchased by the BOCES less the depreciated value over the useful life of the item. The capitalization policy of the BOCES places a threshold of \$500 or more on the acquired cost of equipment and fixtures prior to 7/1/04. Beginning with the 2004-05 school year, the threshold is now \$5,000 or more.

Figure A-5

Outstanding Long-Term Debt (in the thousands of dollars)			
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>% Change</u></b>
Compensated Absences	424	678	59.8%
Other Debt	<u>122</u>	<u>90</u>	<u>(26.7%)</u>
<b>Total Assets</b>	<b><u>547</u></b>	<b><u>768</u></b>	

The BOCES Outstanding Long-Term debt (see Figure A-5) consists of compensated absences for the earned sick time that employees have accrued but not yet taken, and the remaining expense on an equipment installment purchase agreement for copiers.

# **FINANCIAL ANALYSIS OF THE BOCES FUNDS**

## **Governmental Fund Budgetary Highlights**

As the BOCES completed the year, its governmental funds reported combined fund balances of \$1,527,688. This was an increase of \$303,377, which was primarily due to an increase in the unreserved fund balance for capital projects in the amount of \$227,133 and an increase in the Reserve for Advanced Technical Equipment in the amount of \$58,239.

The BOCES governmental fund(s) had more revenues than expenditures in 2009, thereby contributing to the increase in total fund(s) balance. The only funds that had increases were the General and Capital Funds. The General Fund showed a return of surplus for services to school districts of \$1,424,571. The Capital Fund showed an excess which represents the Career and Technical Education Equipment Reserve of \$278,132 and the capital projects \$430,902.

## **General Fund Budgetary Highlights**

Over the course of the year, the BOCES revised the annual operating budget. This was primarily due to changes in service requests from school districts and the awarding of State and Federal programs to the BOCES.

The BOCES original budget totaled \$20,474,430.

The total amended revenue and expenditure budget was \$20,475,320.

Actual revenues were more than the budgeted amount by \$566,894.

## **FACTORS BEARING ON THE BOCES FUTURE**

We anticipate declining state aid to local school districts will have a negative impact on the nature of services they are able to afford. Accordingly, shared services, such as the shared business office that BOCES has operated since 2005, will become increasingly important during this time of scarce resources.

Contrary to the state-wide decreasing enrollment, Salmon River Central is experiencing growth. As part of a major capital project, the BOCES will begin the operation of a Construction Trades Academy at Salmon River in 2011 offering increased opportunity for Career Technical Education to school districts in the North Franklin County Area.

Tough economic times will continue to put pressure on school districts to absorb special education programs. Our key selling point in retaining programs is the level of expertise and experience we provide in this area.

## **CONTACTING THE BOCES FINANCIAL MANAGEMENT**

This financial report is designed to provide the BOCES citizens, taxpayers, customers, investors and creditors with a general overview of the BOCES finances and to demonstrate the BOCES accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Central Administrative Office, Franklin-Essex-Hamilton BOCES, 23 Huskie Lane, P.O. Box 28, Malone, New York 12953

**FRANKLIN-ESSEX-HAMILTON BOCES**

## Statement of Net Assets

June 30, 2009

**ASSETS**

Cash	
Unrestricted	\$ 2,458,545
Receivables	
Due from Fiduciary Fund	72
Accounts Receivable	321,350
Due from Other Governments	149,229
State and Federal Aid Receivable	3,241,915
Deferred Expenditures	-
Capital Assets, Net	2,940,306
Total Assets	<u>9,111,417</u>

**LIABILITIES**

Payables	
Accounts Payable	318,851
Accrued Liabilities	79,011
Due to School Districts	182,065
Due to Other Governments	626,022
State Aid Due to School Districts	2,808,545
Deferred Revenues	1,208
Long-Term Liabilities	
Due and Payable Within One Year	
Installment Purchase Debt Payable	32,578
Compensated Absences Payable	27,350
Due to Teachers' Retirement System	554,855
Due to Employees' Retirement System	72,866
Due and Payable After One Year	
Installment Purchase Debt Payable	57,008
Other Post Employment Benefits Payable	4,199,891
Compensated Absences Payable	650,992
Total Liabilities	<u>9,611,242</u>

**NET ASSETS**

Invested in Capital Assets, Net of Debt	2,850,720
Restricted For	
Equipment Reserve	278,132
Unemployment Insurance Reserve	571,675
Unrestricted	(4,200,352)
Total Net Assets	<u>\$ (499,825)</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Statement of Activities

For the Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Administration	\$ 1,602,669	\$ 1,239,573	\$ (363,096)
Capital Outlay	133,926	304,614	170,688
Career and Technical Education	5,190,007	4,242,219	(947,788)
Instruction for the Handicapped	9,067,606	7,062,072	(2,005,534)
Itinerant Services	1,377,844	1,121,860	(255,984)
General Instruction	1,992,102	1,786,215	(205,887)
Instructional Support	3,253,473	2,887,576	(365,897)
Other Services	2,762,267	2,563,905	(198,362)
Unallocated Depreciation Expense	108,634	-	(108,634)
Total Functions and Programs	<u>25,488,528</u>	<u>21,208,034</u>	<u>(4,280,494)</u>
<b>GENERAL REVENUES</b>			<u>-</u>
Change in Net Assets			(4,280,494)
Total Net Assets - Beginning of Year			<u>3,780,669</u>
Total Net Assets - End of Year			<u><u>\$ (499,825)</u></u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Balance Sheet-Governmental Funds

June 30, 2009

	General	Special Aid	Non-Major Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$2,180,413	\$ -	\$ 278,132	\$ 2,458,545
Receivables				
Due from Other Funds	18,648	-	430,902	449,550
Due from School Districts	-	-	-	-
State and Federal Aid	2,808,545	433,370	-	3,241,915
Due from Other Governments	-	149,229	-	149,229
Other	212,214	109,136	-	321,350
Deferred Expenditures	-	-	-	-
<b>Total Assets</b>	<u>\$5,219,820</u>	<u>\$ 691,735</u>	<u>\$ 709,034</u>	<u>\$ 6,620,589</u>
 <b>LIABILITIES</b>				
Payables				
Accounts Payable	\$ 244,673	\$ 74,178	\$ -	\$ 318,851
Accrued Liabilities	75,480	3,531	-	79,011
Due to Other Funds	430,902	18,576	-	449,478
Due to School Districts	182,065	-	-	182,065
Due to Other Governments	30,572	595,450	-	626,022
Due to State Teachers' Retirement System	554,855	-	-	554,855
Due to Employees' Retirement System	72,866	-	-	72,866
State Aid Due to School Districts	2,808,545	-	-	2,808,545
Deferred Credits				
Overpayments	1,059	-	-	1,059
Deferred Revenues	149	-	-	149
<b>Total Liabilities</b>	<u>4,401,166</u>	<u>691,735</u>	<u>-</u>	<u>5,092,901</u>
 <b>FUND BALANCES</b>				
Reserve for Encumbrances	768	-	-	768
Employee Benefit Accrued Liability Reserve	246,211	-	-	246,211
Unemployment Insurance Reserve	571,675	-	-	571,675
Reserve for Advanced Technical Equipment	-	-	278,132	278,132
Unreserved, Undesignated	-	-	430,902	430,902
<b>Total Fund Balances</b>	<u>818,654</u>	<u>-</u>	<u>709,034</u>	<u>1,527,688</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,219,820</u>	<u>\$ 691,735</u>	<u>\$ 709,034</u>	<u>\$ 6,620,589</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Statement of Revenues, Expenditures and Changes in Fund Equity-Governmental Funds  
For the Year Ended June 30, 2009

	General	Special Aid	Non-Major Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Charges to Components	\$19,077,438	\$ 340,060	\$ -	\$19,417,498
Charges to Other BOCES	289,398	-	-	289,398
Charges to Non-Components	-	-	-	-
Interest and Earnings	27,946	-	1,752	29,698
Miscellaneous	420,185	-	-	420,185
State Sources	-	1,776,042	-	1,776,042
Federal Sources	-	838,170	-	838,170
<b>Total Revenues</b>	<u>19,814,967</u>	<u>2,954,272</u>	<u>1,752</u>	<u>22,770,991</u>
<b>EXPENDITURES</b>				
Administration	1,299,925	-	-	1,299,925
Career and Technical Education	4,122,873	122,005	-	4,244,878
Instruction for the Handicapped	5,895,530	1,220,036	-	7,115,566
Itinerant Services	1,120,995	-	-	1,120,995
General Instruction	897,950	887,495	-	1,785,445
Instructional Support	2,300,685	724,736	-	3,025,421
Other Services	2,563,451	-	-	2,563,451
Capital Outlay	27,862	-	153,930	181,792
<b>Total Expenditures</b>	<u>18,229,271</u>	<u>2,954,272</u>	<u>153,930</u>	<u>21,337,473</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,585,696</u>	<u>-</u>	<u>(152,178)</u>	<u>1,433,518</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Interfund Transfers for Indirect Costs	131,880	-	-	131,880
Proceeds from Debt	-	-	-	-
Operating Transfers In (Out)	(275,000)	-	275,000	-
Reserve for Capital Equipment	-	-	162,550	162,550
Refund of Surplus	(1,424,571)	-	-	(1,424,571)
<b>Total Other Sources (Uses)</b>	<u>(1,567,691)</u>	<u>-</u>	<u>437,550</u>	<u>(1,130,141)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	18,005	-	285,372	303,377
Fund Balance, Beginning of Year	800,649	-	423,662	1,224,311
Fund Balance, End of Year	<u>\$ 818,654</u>	<u>\$ -</u>	<u>\$ 709,034</u>	<u>\$ 1,527,688</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**  
Statement of Fiduciary Net Assets-Fiduciary Funds  
June 30, 2009

	Agency
<b>ASSETS</b>	
Cash	\$ 8,832,182
<b>Total Assets</b>	<b>\$ 8,832,182</b>
 <b>LIABILITIES</b>	
Due to Health Insurance Consortium	\$ 6,308,412
Due to Workers' Compensation Consortium	2,509,730
Extraclassroom Activity Balances	9,271
Due to Governmental Funds	72
Other Liabilities	4,697
<b>Total Liabilities</b>	<b>8,832,182</b>
 <b>FUND BALANCES</b>	
Reserve for Unemployment Insurance	-
Reserve for Employee Benefit Accrued Liability	-
<b>Total Fund Balances</b>	<b>-</b>
 <b>NET ASSETS</b>	 <b>\$ 8,832,182</b>



**FRANKLIN-ESSEX-HAMILTON BOCES**

Reconciliation of Governmental Funds-Balance Sheet to the Statement of Net Assets

June 30, 2009

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclass. and Eliminations	Statement of Net Assets Totals
<b>ASSETS</b>				
Cash	\$ 2,458,545	\$ -	\$ -	\$ 2,458,545
Due from Other Funds	449,550	-	(449,478)	72
Due from Other Governments	149,229	-	-	149,229
Accounts Receivable	321,350	-	-	321,350
State and Federal Aid Receivable	3,241,915	-	-	3,241,915
Deferred Expenditures	-	-	-	-
Land, Buildings and Equipment (net)	-	2,940,306	-	2,940,306
<b>Total Assets</b>	<u>\$ 6,620,589</u>	<u>\$ 2,940,306</u>	<u>\$ (449,478)</u>	<u>\$ 9,111,417</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 318,851	\$ -	\$ -	\$ 318,851
Accrued Liabilities	79,011	-	-	79,011
Due to Other Funds	449,478	-	(449,478)	-
Due to School Districts	182,065	-	-	182,065
Due to Other Governments	626,022	-	-	626,022
Due to State Teachers' Retirement Sys.	554,855	-	-	554,855
Due to Employees' Retirement Sys.	72,866	-	-	72,866
State Aid Due to School Districts	2,808,545	-	-	2,808,545
Deferred Revenues	1,208	-	-	1,208
Compensated Absences Payable	-	678,342	-	678,342
Other Post Employment Benefits Pay.	-	4,199,891	-	4,199,891
Installment Purchase Debt Payable	-	89,586	-	89,586
<b>Total Liabilities</b>	<u>5,092,901</u>	<u>4,967,819</u>	<u>(449,478)</u>	<u>9,611,242</u>
<b>FUND EQUITY/NET ASSETS</b>	<u>1,527,688</u>	<u>2,321,710</u>	<u>-</u>	<u>(499,825)</u>
<b>Total Liabilities, Equity and Other Credits</b>	<u>\$ 6,620,589</u>	<u>\$ 7,289,529</u>	<u>\$ (449,478)</u>	<u>\$ 9,111,417</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Reconciliation of Governmental Funds-Balance Sheet to the Statement of Net Assets  
June 30, 2009

Fund Balances-total governmental funds		\$ 1,527,688
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental Capital Assets	8,143,969	
Less: Accumulated Depreciation	<u>(5,203,663)</u>	2,940,306
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
Compensated Absences	(678,342)	
Other Post Employment Benefits Payable	(4,199,891)	
Installment Purchase Debt	<u>(89,586)</u>	<u>(4,967,819)</u>
Net Assets of Governmental Activities		<u>\$ (499,825)</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Equity to the  
Statement of Activities  
For the Year Ended June 30, 2009

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclass and Eliminations	Statement of Activities Totals
<b>Revenues</b>				
Charges to Other BOCES	\$ 289,398	\$ -	\$ -	\$ 289,398
Charges to Components	19,417,498	-	(1,424,571)	17,992,927
Charges to Non-Components	-	-	-	-
Interest and Earnings	29,698	-	-	29,698
Miscellaneous	420,185	(138,386)	-	281,799
State Sources	1,776,042	-	-	1,776,042
Federal Sources	838,170	-	-	838,170
<b>Total Revenues</b>	<u>22,770,991</u>	<u>(138,386)</u>	<u>(1,424,571)</u>	<u>21,208,034</u>
<b>Expenditures/Expenses</b>				
Administration	1,299,925	302,744	-	1,602,669
Career and Technical Education	4,244,878	1,110,170	(165,041)	5,190,007
Instruction for the Handicapped	7,115,566	2,042,997	(90,957)	9,067,606
Itinerant Services	1,120,995	256,849	-	1,377,844
General Instruction	1,785,445	223,314	(16,657)	1,992,102
Instructional Support	3,025,421	249,827	(21,775)	3,253,473
Other Services	2,563,451	198,816	-	2,762,267
Unallocated Depreciation Expense	-	108,634	-	108,634
Capital Outlay	181,792	(47,866)	-	133,926
<b>Total Expenditures</b>	<u>21,337,473</u>	<u>4,445,485</u>	<u>(294,430)</u>	<u>25,488,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,433,518</u>	<u>(4,583,871)</u>	<u>(1,130,141)</u>	<u>(4,280,494)</u>
<b>Other Sources and Uses</b>				
Interfund Transfers for Indirect Costs	131,880	-	(131,880)	-
Proceeds from Debt	-	-	-	-
Reserve for Capital Equipment	162,550	-	(162,550)	-
Refund of Surplus	(1,424,571)	-	1,424,571	-
<b>Total Other Sources (Uses)</b>	<u>(1,130,141)</u>	<u>-</u>	<u>1,130,141</u>	<u>-</u>
Net Change for the Year	<u>\$ 303,377</u>	<u>\$ (4,583,871)</u>	<u>\$ -</u>	<u>\$ (4,280,494)</u>

**FRANKLIN-ESSEX-HAMILTON BOCES**

Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Equity to the  
Statement of Activities  
For the Year Ended June 30, 2009

Net Change in Fund Balances-total governmental funds		\$ 303,377
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	188,501	
Less: current year depreciation	<u>(212,775)</u>	(24,274)
When recognizing the disposal of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Net Assets		
		(138,386)
Installment purchase debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of installment purchase debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		
Repayment of installment purchase debt		32,578
Compensated absences and other post employment benefits in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds		
Compensated absences	(253,898)	
Other post employment benefits	<u>(4,199,891)</u>	<u>(4,453,789)</u>
Change in Net Assets of Governmental Activities		<u>\$ (4,280,494)</u>

# Franklin-Essex-Hamilton BOCES

## Notes to Financial Statements

June 30, 2009

### **Note 1 – Summary of certain significant accounting policies:**

The financial statements of the Franklin-Essex-Hamilton BOCES (the “BOCES”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

#### A) Reporting entity:

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES’ budget is comprised of separate budgets for administrative, program and capital costs. Each component district’s share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

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

#### i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the BOCES represent funds of the students of the BOCES. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the BOCES business office. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

#### B) Basis of presentation:

#### i) BOCES-wide statements:

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

## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

been made to minimize the double counting of internal transactions. Governmental activities generally are financed through component school districts, 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 program expenses and revenues for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to 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.

#### ii) Fund financial statements:

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

The BOCES reports the following major governmental funds:

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

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

The District reports the following fiduciary funds:

#### Fiduciary Funds

Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. The BOCES has type of fiduciary funds as follows:

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

## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

#### C) Measurement focus and basis of accounting:

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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) Cash and investments:

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

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

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

Investments are stated at fair value.

#### E) Accounts receivable:

Accounts receivable 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.

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

F) Due to/from other funds:

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

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

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

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

G) Capital assets:

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

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	0	Straight-line	50 Years
Building improvements	0	Straight-line	50 Years
Furniture and equipment	5,000	Straight-line	5-20 Years

H) Vested employee benefits:

Compensated absences

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



## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. 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 the matured liabilities is accrued within the General Fund based upon expendable and available future resources. These amounts are expensed on a pay-as-you go basis.

#### I) Other benefits:

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

In addition to providing pension benefits, the BOCES provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

#### J) Budgetary procedures and budgetary accounting:

The budget policies are as follows:

- a) Section 1950 of the Education Law requires adoption of a final budget by no later than May 15, of the ensuing year.
- b) BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the general fund.
- c) Appropriations for educational services are adopted at the program line item level.
- d) 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.

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

- e) Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). The BOCES board can approve supplemental appropriations based upon requests for additional services and surplus revenues.

The following supplemental appropriations occurred during the year:

Program	Original Budget	Revision Purpose	Revision Amount	Revised Budget
Administration	\$ 1,442,432	Expenditures	\$ -	\$ 1,442,432
Capital	303,377	Expenditures	-	303,377
Career and Technical Educ.	4,805,339	Expenditures	(463,963)	4,341,376
Instruction for Handicapped	6,913,142	Expenditures	(564,390)	6,348,752
Itinerant Services	1,429,218	Expenditures	(139,601)	1,289,617
General Instruction	1,281,477	Expenditures	(193,537)	1,087,940
Instructional Support	2,052,506	Expenditures	395,647	2,448,153
Other Services	2,246,939	Expenditures	966,734	3,213,673
Total	\$20,474,430		\$ 890	\$20,475,320

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.

The budget and actual comparison for the Special Revenue Funds (if any) reflects budgeted and actual amounts only for funds with legally authorized (appropriated) budgets.

**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 reservations 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.

**K) Deferred revenue:**

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

#### L) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's 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.

#### M) Equity classifications:

BOCES-wide statements:

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

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

Restricted net assets – reports net assets when constraints placed on the assets 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 assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the BOCES.

Fund statements:

The following reserve funds are available to the BOCES. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

#### Occupational Education Instructional Equipment Reserve

Occupational Education Instructional Equipment Reserve (Education Law §1950[4]ee) is used to finance all or part of the cost of the replacement and purchase of advanced technology equipment used in instructional programs. The creation of an occupational education instructional equipment reserve fund is created by resolution of the governing board and approval of the majority of school districts participating in the instructional program of the BOCES. The reserve is used to purchase advanced technology equipment for instructional programs conducted by the BOCES. This reserve is accounted for in the Capital Fund.

# Franklin-Essex-Hamilton BOCES

## Notes to Financial Statements

June 30, 2009

### Unemployment Insurance Reserve

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

### Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

### Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits 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. The reserve is accounted for in the General Fund.

### N) Accrued liabilities and long-term obligations:

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

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

### **Note 2 – Explanation of certain differences between governmental fund statements and BOCES-wide statements:**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the BOCES-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

i) 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.

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

### **Note 3 –Custodial credit, concentration of credit, interest rate and foreign currency risks:**

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

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

**Note 4 – Capital assets:**

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclass.</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not depreciated				
Land	\$ 38,001	\$ -	\$ -	\$ 38,001
Construction in progress	<u>15,655</u>	<u>47,866</u>	<u>-</u>	<u>63,521</u>
Total nondepreciable historical cost	<u>53,656</u>	<u>47,866</u>	<u>-</u>	<u>101,522</u>
Capital assets that are depreciated:				
Buildings	5,431,722	-	-	5,431,722
Furniture and equipment	<u>2,769,949</u>	<u>140,635</u>	<u>299,859</u>	<u>2,610,725</u>
Total depreciable historical cost	<u>8,201,671</u>	<u>140,635</u>	<u>299,859</u>	<u>8,042,447</u>
Less: accumulated depreciation				
Buildings	2,931,371	108,634	-	3,040,005
Furniture and equipment	<u>2,220,990</u>	<u>104,141</u>	<u>161,473</u>	<u>2,163,658</u>
Total accumulated depreciation	<u>5,152,361</u>	<u>212,775</u>	<u>161,473</u>	<u>5,203,663</u>
Total depreciable historical cost, net	<u>\$3,102,966</u>	<u>\$ (24,274)</u>	<u>\$ 138,386</u>	<u>\$2,940,306</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 9,617
Career and Technical Education	21,965
Instruction for the Handicapped	19,152
Itinerant Services	887
General Instruction	9,044
Instructional Support	39,306
Other Services	4,170
Depreciation not charged to a specific function	<u>108,634</u>
	<u>\$ 212,775</u>

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

**Note 5 – Short-term debt:**

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

The BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is 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.

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

There was no short-term debt activity during the year.

**Note 6– Long-term debt:**

Interest on long-term debt for the year was approximately \$7,900.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
General obligation debt:					
Lease-purchase obligations	\$ 122,164	\$ -	\$ 32,578	\$ 89,586	\$ 32,578
Other liabilities:					
Compensated absences	<u>424,444</u>	<u>253,898</u>	<u>-</u>	<u>678,342</u>	<u>27,350</u>
Total long-term liabilities	<u>\$ 546,608</u>	<u>\$ 253,898</u>	<u>\$ 32,578</u>	<u>\$ 767,928</u>	<u>\$ 59,928</u>

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

The following is a summary of obligations of government activities under capital lease payments:

The BOCES is obligated under certain leases accounted for as capital leases. Assets under capital leases of \$162,888, less accumulated depreciation of \$32,576 totaled \$130,312 at June 30, 2009. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2009:

Fiscal year ended June 30,		
	2010	\$ 40,440
	2011	40,440
	2012	<u>30,329</u>
Total minimum lease payments		111,209
Less: amount representing interest and maintenance		<u>21,623</u>
Present value of minimum lease payments		<u><u>\$ 89,586</u></u>

The BOCES leased property under operating leases with component school districts. BOCES will pay the rental and ancillary costs associated with the leased classrooms.

**Note 7– Interfund balances and activity:**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 18,648	\$ 430,902	\$ -	
Capital Fund	430,902	18,576		-
Special Aid Fund	-	-	-	-
Total governmental activities	<u>449,550</u>	<u>449,478</u>	-	-
Fiduciary	<u>-</u>	<u>72</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 449,550</u></u>	<u><u>\$ 449,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

The BOCES typically transfers from the General Fund to the Capital Fund, to cover capital improvement expenditures.

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

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

#### **Note 8 – Pension plans:**

##### General information:

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

##### Provisions and administration:

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

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

##### Funding policies:

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. 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.

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2008-2009	592,773	166,311
2007-2008	647,150	198,008
2006-2007	710,589	239,196

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. The BOCES elected to make the full payment on December 15, 1989.

The State Legislature authorized local governments to make available retirement incentive programs. Management elected not to participate in these programs.

**Note 9 – Post-employment (health insurance) benefits:**

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

The BOCES implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the BOCES to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, no retired employees have elected to use accumulated sick pay to finance health insurance payments under the BOCES' group plans.

The 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, 2009 the BOCES recognized \$568,500 for its share of insurance premiums for currently enrolled retirees.

## **Franklin-Essex-Hamilton BOCES**

### Notes to Financial Statements

June 30, 2009

The BOCES has obtained an actuarial valuation report as of June 30, 2009, which indicates that the total liability for other post employment benefits is \$4,199,891, which is reflected in the Statement of Net Assets.

#### Plan Description:

For its employee health insurance coverage, the BOCES is a participant in the Franklin-Essex-Hamilton School District's Health Insurance Consortium, a public entity non-risk pool operated for the benefit of nine individual governmental units located within the Franklin, Essex, and Hamilton Counties. The BOCES pay an annual premium to the Plan for this health insurance coverage. The Franklin-Essex-Hamilton Health Insurance Consortium is considered a self-sustaining risk pool that will provide coverage for its members per insured event. The Franklin-Essex-Hamilton School District's Health Insurance Consortium obtains independent coverage for insured events in excess of the \$125,000 per calendar year and the Franklin-Essex-Hamilton BOCES has essentially transferred all related risk to the Franklin-Essex-Hamilton School District's Health Insurance Consortium.

#### Funding Policy:

The contribution requirements of plan members and the BOCES are established by the Board of Education. The contribution requirements are based on the BOCES' contractual agreements. The plan is self-insured and based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. For the fiscal year 2009 the BOCES contributed \$944,967 to the plan. Plan members receiving benefits are not required to contribute towards the premiums in accordance with contractual agreements.

#### Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the health insurance plan:

**Franklin-Essex-Hamilton BOCES**

Notes to Financial Statements

June 30, 2009

Annual Required Contribution (ARC)	\$ 5,144,858
Interest on Net OPEB Obligation	-
Contribution	-
Annual OPEB cost (expense)	<u>5,144,858</u>
Contribution made	<u>944,967</u>
Increase in OPEB obligation	<u>\$ 4,199,891</u>
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 4,199,891

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

<u>Fical Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 5,144,858	18.37%	\$ 4,199,891

\*Data not available for two preceding years.

Funded Status and Funding Progress.

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$46,098,021 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,098,021. The covered payroll (annual payroll of active employees covered by the plan) was \$8,052,314 and the ratio of the UAAL to the covered payroll was 17.47%.

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.

## Franklin-Essex-Hamilton BOCES

### Notes to Financial Statements

June 30, 2009

#### Actuarial Methods and Assumptions.

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

In the July 1, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an annual healthcare cost trend rate of 11% initially, decreased to 10.5% in the second year, and then reduced by decrements to an ultimate rate of 5% after 12 years. Rates included a 4% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at June 30, 2009, was 29 years.

#### **Note 10 – Risk management:**

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

The BOCES participates in the Franklin-Essex-Hamilton School District Workers' Compensation Insurance Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The BOCES' share of the liability for unbilled and open claims is \$866,311.

#### **Note 11 – Contingencies and commitments:**

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

#### **Note 12 – Use of 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.

**FRANKLIN-ESSEX-HAMILTON BOCES**

Analysis of Account A431-School Districts

For the Year Ended June 30, 2009

**JULY 1, 2008 - Credit Balance** \$ 672,887

**Debits:**

Billings to School Districts	19,375,779
Refund of Balances Due School Districts	1,296,203
Encumbrances	<u>768</u>
<b>Total Debits</b>	<u>20,672,750</u>

**Credits:**

Collection from School Districts	18,747,644
Encumbrances	9,713
Adjustment - Credits to School Districts - Revenues in Excess of Expenditures	<u>1,424,571</u>
<b>Total Credits</b>	<u>20,181,928</u>

**JUNE 30, 2009 - Credit Balance** \$ 182,065

**FRANKLIN-ESSEX-HAMILTON BOCES**

Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund  
For the Year Ended June 30, 2009

	General Fund		
	Budget (Amended)	Actual	Variance Fav. - (Unf.)
<b>Revenues</b>			
Charges to Components	\$ 19,164,335	\$ 19,077,438	\$ (86,897)
Charges to Other BOCES	289,398	289,398	-
Charges to Non-Components	-	-	-
Interest and Earnings	45,000	27,946	(17,054)
Miscellaneous	883,128	420,185	(462,943)
<b>Total Revenues</b>	<u>20,381,861</u>	<u>19,814,967</u>	<u>(566,894)</u>
<b>Expenditures</b>			
Administration	1,442,432	1,299,925	142,507
Capital Outlay	28,377	27,862	515
Career and Technical Education	4,341,376	4,122,873	218,503
Instruction for the Handicapped	6,348,752	5,895,530	453,222
Itinerant Services	1,289,617	1,120,995	168,622
General Instruction	1,087,940	897,950	189,990
Instructional Support	2,448,153	2,300,685	147,468
Other Services	3,213,673	2,563,451	650,222
<b>Total Expenditures</b>	<u>20,200,320</u>	<u>18,229,271</u>	<u>1,971,049</u>
<b>Excess of Revenues over Expenditures</b>	<u>181,541</u>	<u>1,585,696</u>	<u>1,404,155</u>
<b>Other Sources and Uses</b>			
Interfund Revenues for Indirect Cost	93,459	131,880	38,421
Operations Transfer (Out)	(275,000)	(275,000)	(550,000)
Refund of Surplus	-	(1,424,571)	(1,424,571)
<b>Total Other Sources and Uses</b>	<u>(181,541)</u>	<u>(1,567,691)</u>	<u>(1,936,150)</u>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>-</u>	<u>18,005</u>	<u>\$ 18,005</u>
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>800,649</u>	
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 818,654</u>	

**FRANKLIN-ESSEX-HAMILTON BOCES**  
 Summary Schedule of Project Expenditures-Capital Projects Fund  
 For the Year Ended June 30, 2009

Project Title	SED Project #	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance
				Prior Year's	Current Year	Total	
NFEC Reconstruction, CSI Sections	#16-90-00-00-0-002-006 Roof Repair	\$ 536,000	\$ 755,238	\$ 539,414	\$ 539,414	\$ 539,414	\$ 215,824
AEC Reconstruction, CSI Sections	#16-90-00-00-0-004-007 Roof Repair	238,500	260,477	256,874	-	256,874	3,603
AEC Reconstruction, CSI Sections	#16-90-00-00-0-004-008 Heating and Ventilation	219,100	325,372	325,371	-	325,371	1
NFEC Boiler	#16-90-00-00-0-002-007	306,000	383,000	15,655	684	16,339	366,661
AEC Culinary Arts	#16-90-00-00-0-004-009	478,500	478,500	-	47,182	47,182	431,318
		<u>\$ 1,778,100</u>	<u>\$ 2,202,587</u>	<u>\$ 1,137,314</u>	<u>\$ 47,866</u>	<u>\$ 1,185,180</u>	<u>\$ 1,017,407</u>

See paragraph on supplementary schedules included in auditors' report.



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**Independent Auditors' Report on the  
Extraclassroom Activity Fund**

To the Board of Education  
Franklin-Essex-Hamilton BOCES

We have audited the accompanying Statement of Assets, Liabilities, and Fund Balance-Cash Basis of the Extraclassroom Activity Fund of Franklin-Essex-Hamilton BOCES as of June 30, 2009. This financial statement is the responsibility of Franklin-Essex-Hamilton BOCES' management. 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, Appendix F of the Minimum Program for Audits of Financial Records of New York State School Districts, *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget Circular A-133, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Statement of Assets, Liabilities and Fund Balance-Cash Basis of the Extraclassroom Activity Fund of Franklin-Essex-Hamilton BOCES is intended to present the financial position of only that portion of the funds of the School District that is attributable to the transaction of the Extraclassroom Activity Fund.

The BOCES' policy is to record the activity of the Extraclassroom Activity Fund on the basis of cash receipts and disbursements, as discussed in Note 1.

Our audit was made for the purpose of forming an opinion on the Statement of Assets, Liabilities, and Fund Balance-Cash Basis. The accompanying Schedule of Extraclassroom Activity Fund Cash Receipts, Disbursements and Ending Balances is presented for the purpose of additional analysis and is not a required part of the financial statements of the Extraclassroom Activity Fund of Franklin-Essex-Hamilton BOCES.

The Schedule of Extraclassroom Activity Fund Cash Receipts, Disbursements and Ending Balances has been subjected to the auditing procedures applied in the audit of the Statement of Assets, Liabilities and Fund Balance-Cash Basis.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Extraclassroom Activity Fund of the Franklin-Essex-Hamilton BOCES for the year ended June 30, 2009, on the basis of accounting described in Note 1.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.

October 7, 2009

**FRANKLIN-ESSEX-HAMILTON BOCES**

Extraclassroom Activity Fund-Statement of Assets, Liabilities and Fund Balance-Cash Basis  
June 30, 2009

Cash	<u>\$ 9,271</u>
------	-----------------

Fund Balance	<u>\$ 9,271</u>
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**FRANKLIN-ESSEX-HAMILTON BOCES**

Extraclassroom Activity Fund-Schedule of Cash Receipts and Disbursements  
For the Year Ended June 30, 2009

Activities	Balance 07/01/08	Receipts	Payments	Balance 06/30/09
AEC:				
Adirondack Hair Assoc (Nat'l)	\$ 507	\$ 16,326	\$ 14,225	\$ 2,608
Conservation Club (FFA)	3,452	6,843	10,291	4
Culinary Arts Club (ACE)	175	773	689	259
VICA:				
Auto Technology	437	672	848	261
Building Trades	2,034	757	2,790	1
New Vision	596	3,755	3,638	713
School Store - Multi-Occ	122	-	-	122
	<u>7,323</u>	<u>29,126</u>	<u>32,481</u>	<u>3,968</u>
NFEC:				
Student Council	276	3,397	2,042	1,631
VICA:				
Auto Body	8	-	-	8
Auto Technology	956	1,121	2,075	2
Building Trades	2	1,283	1,232	53
Child Development	5	-	-	5
Cosmetology (Juniors)	672	-	-	672
Cosmetology (Seniors)	3,326	224	3,516	34
Culinary Arts	535	228	90	673
Electrical Trades	50	-	-	50
Heavy Equipment	-	-	-	-
GED	2,143	18,558	18,582	2,119
New Vision Govt	-	1,559	1,503	56
School Store - 12:1+1 (SEC)	12,600	214	12,814	-
	<u>20,573</u>	<u>26,584</u>	<u>41,854</u>	<u>5,303</u>
 Total	 <u>\$ 27,896</u>	 <u>\$ 55,710</u>	 <u>\$ 74,335</u>	 <u>\$ 9,271</u>

**Franklin-Essex-Hamilton BOCES**  
Notes to Financial Statements-Extraclassroom Activity Fund  
June 30, 2009

**Note 1-Summary of Significant Accounting Policies**

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Franklin-Essex-Hamilton BOCES. Consequently, such transactions are not included in the combined financial statements of the BOCES.

The books and records of the Franklin-Essex-Hamilton BOCES' Extraclassroom Activities Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.

**FRANKLIN-ESSEX-HAMILTON BOCES**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>			
Federal Workforce, Title II	84.002	2338-09-1122	\$ 113,599 *
VATEA	84.048	8000-09-0061	65,130
Even Start	84.213	024-09-0118	218,243
Safe and Drug Free Schools and Communities	84.184	Q184A-09-0169	149,533 *
Total Federal Assistance			<u>\$ 546,505</u>

\* Major Programs

**Franklin-Essex-Hamilton BOCES**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2009

**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of Federal award programs administered by the BOCES, which is described in Note 1 to the 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Certain of the BOCES' Federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the BOCES' share of certain program costs) are not included in the reported expenditures.

**Note 2 – Subrecipients:**

No amounts were provided to subrecipients.

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**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***

To the Board of Education  
Franklin-Essex-Hamilton BOCES

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin-Essex-Hamilton BOCES as of and for the year ended June 30, 2009, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 7, 2009. We also have audited the aggregate nonmajor governmental funds, and each fiduciary fund type of Franklin-Essex-Hamilton BOCES, as of and for the year ended June 30, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin-Essex-Hamilton BOCES' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin-Essex-Hamilton BOCES' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin-Essex-Hamilton BOCES' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Franklin-Essex-Hamilton BOCES' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted



accounting principles such that there is more than a remote likelihood that a misstatement of the Franklin-Essex-Hamilton BOCES' financial statements that is more than inconsequential will not be prevented or detected by the Franklin-Essex-Hamilton BOCES' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 09-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Franklin-Essex-Hamilton BOCES' internal control.

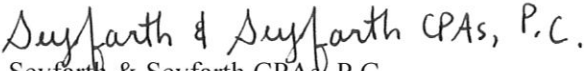
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant weaknesses described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin-Essex-Hamilton BOCES' financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 09-2, 06-1, 06-6 and 04-2.

Franklin-Essex-Hamilton BOCES' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Franklin-Essex-Hamilton BOCES' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Seyfarth & Seyfarth CPAs, P.C.

October 7, 2009

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**Report on Compliance With Requirements Applicable to Each Major Program and  
Internal Control Over Compliance in Accordance With OMB Circular A-133**

To The Board of Education  
Franklin-Essex-Hamilton BOCES

Compliance

We have audited the compliance of Franklin-Essex-Hamilton BOCES with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Franklin-Essex-Hamilton BOCES' major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Franklin-Essex-Hamilton BOCES' management. Our responsibility is to express an opinion on Franklin-Essex-Hamilton BOCES' compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 Franklin-Essex-Hamilton 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. Our audit does not provide a legal determination on Franklin-Essex-Hamilton BOCES' compliance with those requirements.

In our opinion, Franklin-Essex-Hamilton BOCES complied, in all material respects with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-2 and 06-6.

## Internal Control Over Compliance

The management of Franklin-Essex-Hamilton BOCES is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Franklin-Essex-Hamilton BOCES' internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the BOCES' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-2 and 06-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Franklin-Essex-Hamilton BOCES response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Franklin-Essex-Hamilton BOCES' response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Education, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Seyfarth & Seyfarth CPAs, P.C.

October 7, 2009

**Franklin-Essex-Hamilton BOCES**  
 Schedule of Findings and Questioned Costs  
 June 30, 2009

**Section I-Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? \_\_\_\_\_ Yes        x   No

Significant deficiencies identified that are not considered to be material weaknesses?   x   Yes      \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        x   No

Federal Awards

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ Yes        x   No

Significant deficiencies identified that are not considered to be material weaknesses?   x   Yes      \_\_\_\_\_ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   x   Yes      \_\_\_\_\_ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.002	Federal Workforce, Title II
84.184	Safe and Drug Free Schools and Communities

Dollar Threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   x   Yes      \_\_\_\_\_ No

**Franklin-Essex-Hamilton BOCES**  
Schedule of Findings and Questioned Costs  
June 30, 2009

**Section II- Financial Statement Findings**

**09-1 Control Over Embedded Signatures**

**Condition**

During our audit, we tested the controls over the embedded signatures in WinCap. We noted that signatures for the BOCES Treasurer and Purchasing Agent were properly password protected; however, the two Extraclassroom Treasurers' signatures were not properly protected and were accessible by other authorized signers. This could result in inappropriate expenditures.

**Recommendation**

We recommend that password protections be reviewed on a regular basis.

**Management's Response**

When this issue was brought to our attention, proper passwords were immediately put in place.

**Franklin-Essex-Hamilton BOCES**  
Schedule of Findings and Questioned Costs  
June 30, 2009

**Section III – Federal Award Findings and Questioned Costs**

**09-2 Eligibility 84.002 Federal Workforce Title II**

**Criteria**

In order to meet the eligibility standards for the Federal Workforce program, the student must have a TABE score of less than 8.9, be at least 16 years old and not be in school. The program director was familiar with these guidelines.

**Condition**

We selected 40 out of the 119 participants in this program, and found 1 participant that did not meet the eligibility standards. This participant had a TABE score over 9 and had a diploma.

**Recommendation**

We recommend that the BOCES perform a monitoring function to review eligibility determinations.

**Management's Response**

Eligibility for Federal programs will be reviewed at targeted staff meetings during the 2009-10 school year.

See item 06-6 for prior year uncorrected Federal award finding.

**Franklin-Essex-Hamilton BOCES**  
Summary Schedule of Prior Year Audit Findings  
June 30, 2009

**06- 1 Incomplete I-9 Forms**  
**Status: Not Corrected**

**Condition**

During our payroll testing, we noted that some I-9s have photocopies of employees' drivers licenses, Social Security cards and other documentation and some I-9s have no attached documentation. According to the US Citizenship and Immigration Service, attaching such copies is permissible but where this practice is undertaken it must be consistently applied to every employee. Inconsistent practices could lead to a charge of discrimination.

We further noted that some I-9 Forms were not filled out as to what documents were looked at by the employer. The I-9 merely said "see attached." If the attached, stapled photocopies were pulled off and lost the BOCES would have no documented evidence to show compliance with the law.

**Recommendation**

We recommend that the BOCES adopt a consistent method for completing I-9 Forms. We further recommend that even if photocopies are attached that the form itself be completely filled out documenting what evidence was reviewed.

**Management's Response**

The District implemented a process where I-9 Forms are fully completed as well as attaching copies of appropriate documents effective July 1, 2008. A further review of all current employees and substitutes will be completed.

**Franklin-Essex-Hamilton BOCES**  
Summary Schedule of Prior Year Audit Findings  
June 30, 2009

**06-5 Control Over Vocational Funds**  
**Status: Resolved**

This practice was discontinued during the year ended June 30, 2009.

**Condition**

While performing our extraclassroom testing, we noted a cash ledger for the Cosmetology Sr. class labeled Clinics. Upon inquiry, we determined that this cash was not part of the extraclassroom function but was deposited into the BOCES general fund. The deposits were for cosmetology services provided which used District resources such as dye. When testing the deposits into the general fund, we noted that some of the receipts were deposited by BOCES several days or weeks after the receipt was logged into the cash ledger. Also, the deposits in the cash ledger did not always agree with the cash receipts.

There appears to be a poor control over cash in this area, with no oversight or accountability. Cash is highly susceptible to misappropriation and it is imperative that strong controls be placed on it.

**Recommendation**

We recommend that the internal controls over cash receipts from the cosmetology clinics and any other cash from the vocational programs be tightened to insure timely and accurate deposits.

**Management's Response**

The Director of Management Services will work with both Central Treasurers whereby internal controls over cash receipts will be established.



**Franklin-Essex-Hamilton BOCES**  
Summary Schedule of Prior Year Audit Findings  
June 30, 2009

**06-6 Payroll Certification**  
**Status: Partially Corrected**

**Update for 2009:** We noted that the BOCES obtained time and effort reports for employees with salaries charged to Federal programs for the year 08-09. In a few instances the time and effort reports showed how the salaries were funded rather than how the time was actually spent. These particular employees work in a single cost objective that is funded by several sources. The BOCES should treat these employees as such and develop an appropriate allocation methodology.

**Prior Condition:** During our testing of salaries charged to Federal programs, we noted that charges were not supported by timesheets that clearly show the services provided to the program and show all of the activities the person performed. Without adequate time records, Federal grants may be charged for services not rendered. OMB-A-87 requires semi annual certifications for employees working in a single Federal program and time records for those working in multiple programs.

**Recommendation**

We recommend that the District implement a system which complies with the requirements of OMB-A-87.

**Management's Response**

District management will discuss this with appropriate personnel in the business office to fully implement the Certification of Time Devoted to Special Aid Projects to reflect 100% of an employee's time distributed between the general fund and Federal programs. The certifications in 2008-09 did reflect the Federal programs and the general fund.

For those employees working as a Single Cost Objective, such as Adult Education, the certification will be semi-annually, signed by employee and supervisor every six months along with a rational basis for allocation.

**Franklin-Essex-Hamilton BOCES**  
Summary Schedule of Prior Year Audit Findings  
June 30, 2009

**05-1 Payroll Authorization**  
**Status – Corrected**

**Condition**

Update for 2006-07 remains the same for 2007-08: The supervisors signed attendance forms for summer employees and there was more oversight over absences. However, our testing found an instance of an employee being paid for more days than those worked. A system is still not in place to determine that proper amounts are paid.

Prior Condition: The Monthly Attendance Verification Form for a summer employees was not signed by the supervisor as to agreement with hours worked. The BOCES relied on an unsigned absence list and e-mails to verify attendance.

Further, work was paid on a set schedule of 5 days, 10 days, 5 days and 10 days for the 4 pay periods. Adjustments were made only in the 4<sup>th</sup> pay period for under/over payments. Using this method, employees could be paid for hours not worked. During our testing, we found one instance where an employee worked for 29 days and was paid for 30 days. The system is not designed to verify hours and to determine the proper amounts to pay.

**Recommendation**

Update for 2006-07 and 2007-08: We recommend that a system be developed whereby employees are paid only for actual time worked.

Prior Recommendation: We recommend that time sheets be submitted for the days corresponding with the pay periods and that employees be paid only for hours worked. All time sheets should be signed by the supervisors.

**Management's Response**

Management did develop a spreadsheet to track attendance with days worked compared to days paid to prevent overpayment in 2007-08. In terms of payment for summer employment, management will implement a new process whereby attendance reports will be completed on a weekly basis versus the current bi-weekly basis. Adjustments have been made on the subsequent payroll rather than on the 4<sup>th</sup> pay period for under/over payments.

**Franklin-Essex-Hamilton BOCES**  
Summary Schedule of Prior Year Audit Findings  
June 30, 2009

**04-2 Student Involvement in Extraclassroom Activities**  
**Status – Partially Corrected**

**Update for 2009:** We noted that some of the clubs in question were discontinued and that a training session for advisors was held during the year.

**Prior Condition:** When reviewing files for student clubs, we noted that none of the activities have proper by-laws and constitutions, and most did not have minutes of meetings. Constitutions are required by New York State in order to have a valid student activity and minutes are required to show student involvement in decision making over club funds.

The extraclassroom records for the Adirondack site were more complete than those at North Franklin.

Funds can be misappropriated if student club members are not involved and student involvement is required for such activities.

**Recommendation**

We recommend that the BOCES continue and stress education and oversight efforts over the student clubs for advisors, students and building administrators. New advisors should be notified of the requirements pertaining to student involvement in club record keeping. The District Treasurer should periodically “audit” some club records.

**Management’s Response**

The Constitutions and By-Laws for Clubs and Maintenance of Extraclassroom Funds were approved by the Board of Education on May 21, 2009. Continued education and oversight efforts will be maintained during the ensuing school year. The Extraclassroom Activity Fund Auditor will perform a semi-annual audit (January and May).