TOMPKINS-SENECA-TIOGA BOCES

FINANCIAL REPORT

JUNE 30, 2017

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Certified Public Accountants | Business Advisors

TOMPKINS-SENECA-TIOGA BOCES

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FOR THE YEAR ENDED JUNE 30, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Cooperative Educational Services
Tompkins-Seneca-Tioga BOCES
Ithaca, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tompkins Seneca Tioga Board of Cooperative Educational Services (BOCES), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of Funding Progress, the Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability, and the related notes to required supplementary information on pages 4-4j and 43-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BOCES' basic financial statements. The supplementary information on pages 52-57 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of BOCES' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 25, 2017

The following is a discussion and analysis of Tompkins-Seneca-Tioga BOCES' (BOCES) financial performance for the fiscal year ended June 30, 2017. This section is a summary of BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2017, BOCES received an actuarial valuation of its retiree health insurance liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." As a result, BOCES has recorded a liability in the Statement of Net Position of $35,458,412, of which $4,177,272 was reflected as an expense during the year ended June 30, 2017.

- BOCES ended the year with a total net (deficit) of $(20,338,860), an increase of $(4,250,872) from the prior year. The year-end net (deficit) was composed of $9,661,820 in net investment in capital assets, $1,218,871 in restricted net position, and $(31,219,551) in unrestricted net (deficit). The unrestricted net (deficit) of $(31,219,551) increased $(4,492,709) compared to the prior year. The unrestricted net (deficit) at June 30, 2017 is primarily attributable to recognition of the accumulated OPEB liability of $35,458,412.

- BOCES-wide expenses exceeded revenues by $(4,250,872) in 2017 compared to 2016 when expenses exceeded revenues by $(2,852,033).

- BOCES records its proportionate share of net pension (asset) liability along with deferred inflows and deferred outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in recognition of the change in BOCES' proportionate share of net pension (asset) liability of $310,794.

- BOCES had $1,775,912 in outstanding installment purchase debt at year end, a decrease of $(219,103) from the prior year. This was the result of principal payments on outstanding installment purchase debt.

- General Fund final budgeted appropriations of $46,142,047 were under spent by $(5,965,809) in 2017. General Fund revenues exceeded budgetary amounts by $869,260.

- Total General Fund reserves, were $1,214,598 at June 30, 2017; representing an increase of $343,227 in 2017, as a result of increased reserve amounts, primarily in the retirement contribution reserve.

- Capital asset additions during 2017 amounted to $303,352 for the purchase of buses, vehicles, and equipment. Depreciation expense was $(622,526) for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of BOCES.

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

- The remaining statements are Governmental Fund financial statements that focus on individual parts of BOCES, reporting BOCES' operations in greater detail than the Government-wide statements. The Governmental Fund financial statements concentrate on BOCES' most significant funds with all other Non-Major Funds listed in total in one column.

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 BOCES' budget for the year and a Schedule of Funding Progress related to BOCES' unfunded actuarial liability for postemployment benefits and Schedules BOCES Contributions and BOCES' Proportionate Share of the Net Pension (Asset) Liability.

Government-wide Financial Statements

The Government-wide financial statements report information about BOCES as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of BOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide financial statements report BOCES' net position and how it has changed. Net position - the difference between BOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure BOCES' financial health or position. Over time, increases or decreases in BOCES' net position are an indicator of whether its financial position is improving or deteriorating. To assess BOCES' financial health, one needs to consider additional nonfinancial factors such as the condition of school buildings and other facilities.

In the Government-wide financial statements, BOCES' activities are shown as Governmental Activities. Most of BOCES' basic services are included here, such as regular and special education, career and technical education, and administration. Charges for services finance most of these activities.

Governmental Fund Financial Statements
The Governmental Fund financial statements provide more detailed information about BOCES' funds, focusing on its most significant or "Major" Funds - not BOCES as a whole. Funds are accounting devices BOCES uses to keep track of specific sources of funding and spending on particular programs. BOCES has two kinds of funds:

- Governmental Funds: Most of 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance BOCES' programs. Because this information does not encompass the additional long-term focus of the Government-wide financial statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.

- Fiduciary Funds: BOCES is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. 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. BOCES excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

BOCES' combined net (deficit) for the fiscal year ended June 30, 2017 increased by $(4,250,872). Our analysis below focuses on the net position (*Figure 1*) and changes in net position *(Figure 2)* of the School District's Governmental Activities.

Figure 1

Condensed Statement of Net Position	Governmental Activities and Total BOCES		Total Dollar Change
	2016	2017	2016 - 2017
Current assets	$ 7,955,721	$ 9,079,516	$ 1,123,795
Noncurrent assets	6,284,092	5,258,618	(1,025,474)
Capital assets, net	11,762,498	11,437,732	(324,766)
Total Assets	**26,002,311**	**25,775,866**	**(226,445)**
Pensions	4,765,960	7,287,056	2,521,096
Total Deferred Outflows of Resources	**4,765,960**	**7,287,056**	**2,521,096**
Current liabilities	8,181,626	9,313,824	1,132,198
Noncurrent liabilities	36,366,572	43,438,087	7,071,515
Total Liabilities	**44,548,198**	**52,751,911**	**8,203,713**
Pensions	2,308,061	649,871	(1,658,190)
Total Deferred Inflows of Resources	**2,308,061**	**649,871**	**(1,658,190)**
Net investment in capital assets	9,767,483	9,661,820	(105,663)
Restricted	871,371	1,218,871	347,500
Unrestricted (deficit)	(26,726,842)	(31,219,551)	(4,492,709)
Total Net Position (Deficit)	**$ (16,087,988)**	**$ (20,338,860)**	**$ (4,250,872)**

The increases in current assets and liabilities are primarily the result of increases in cash from operations which is due to component school districts at year end. The decrease in noncurrent assets is related to a decrease in BOCES' proportionate share of the TRS net pension (asset), partially offset by $4,044,020 due from school districts for approved capital projects set to commence in subsequent years. The decrease in capital assets is primarily a result of current year depreciation expense exceeding capital outlay.

Changes in deferred outflows of resources - pensions, and deferred inflows of resources - pensions, are related to changes in the actuarial determined proportionate share of ERS and TRS retirement plans.

The increase in noncurrent liabilities is largely due to reporting of the OPEB liability in accordance with GASB Statement No. 45 in the amount of $4,177,272 for 2017, and $4,044,020 in unearned revenue for approved capital projects, net of installment debt payments and decreases in net pension liabilities.

Restricted net position increased mainly due to funding the retirement contribution reserve. The net effect of BOCES' activities resulted in an unrestricted net (deficit) of $(31,219,551) at June 30, 2017 compared to $(26,726,842) at June 30, 2016, primarily attributable to expense and liability recognition related to other postemployment benefits and pensions based on actuarial determined changes to the related liabilities, deferred inflows of resources, and deferred outflows of resources. Net (deficit) showed an overall increase of $(4,250,872) or 26.4%

Our analysis in *Figure 2* considers the operations of BOCES' activities.

Figure 2

Changes in Net Position	***Governmental Activities and BOCES***		***Total Dollar Change***
	2016	***2017***	***2016 - 2017***
REVENUES			
Program Revenues:			
Charges for services	$ 37,869,944	$ 39,202,120	$ 1,332,176
Operating grants and contributions	1,038,783	1,078,421	39,638
Capital grants	105	-	(105)
General Revenues:			
Use of money and property	129,338	36,359	(92,979)
Refund of prior year's expenses	812,754	893,774	81,020
Other general revenues	1,422,156	1,457,393	35,237
Total Revenues	**$ 41,273,080**	**$ 42,668,067**	**$ 1,394,987**
PROGRAM EXPENSES			
Administration	$ 2,984,753	$ 3,102,934	$ 118,181
Capital	19,690	25,120	5,430
Occupational instruction	5,537,145	5,697,559	160,414
Instruction for special education	11,737,462	12,720,351	982,889
Itinerant services	1,959,959	2,493,321	533,362
General instruction	4,468,941	4,822,636	353,695
Instructional support	8,778,778	8,427,223	(351,555)
Other services	8,168,894	9,162,321	993,427
School lunch program	141,163	176,825	35,662
Interest on debt	328,328	290,649	(37,679)
Total Expenses	**$ 44,125,113**	**$ 46,918,939**	**$ 2,793,826**
(DECREASE) IN NET POSITION	**$ (2,852,033)**	**$ (4,250,872)**	**$ (1,398,839)**

Total revenues for BOCES' Governmental Activities increased by 1,394,987, or 3.4%. The increase in revenues is primarily attributable to increased component school district service revenue. Program expenses increased $2,793,826 or 6.3%, primarily due to increased services provided to component school districts.

Figures 3 and *4* show the sources of revenue for 2017 and 2016.

Figure 3

Sources of Revenue for 2017

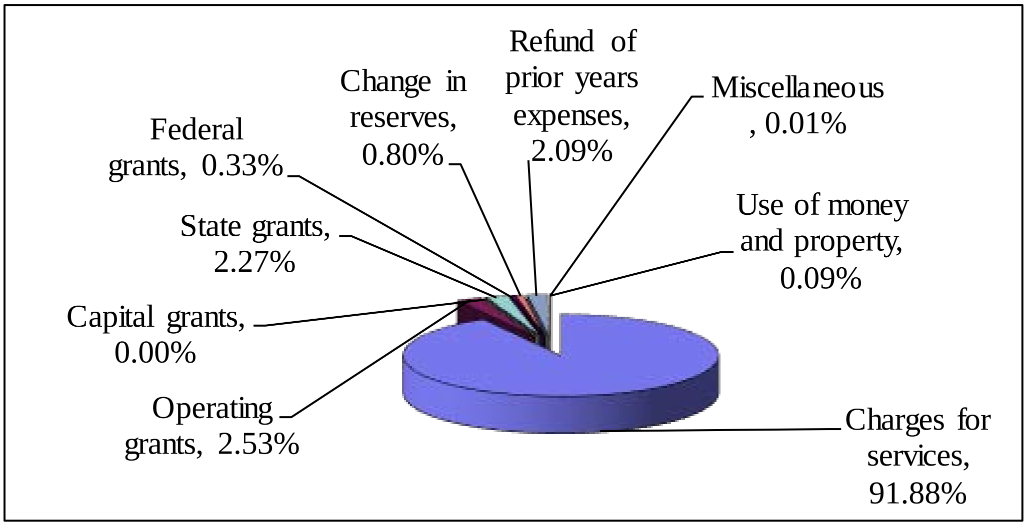
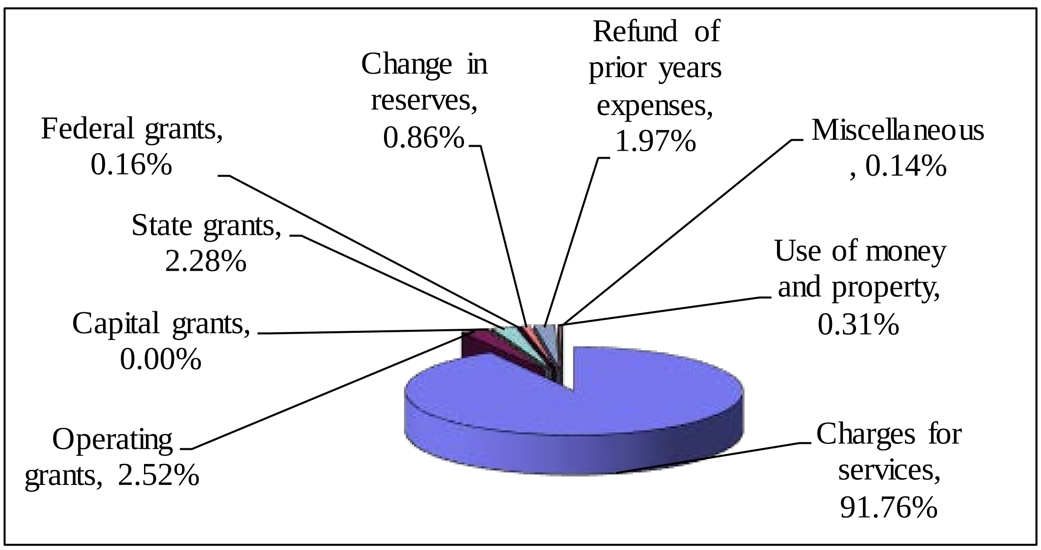


Figure 4

Sources of Revenue for 2016



Figures 5 and 6 present the cost of each of the BOCES' programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

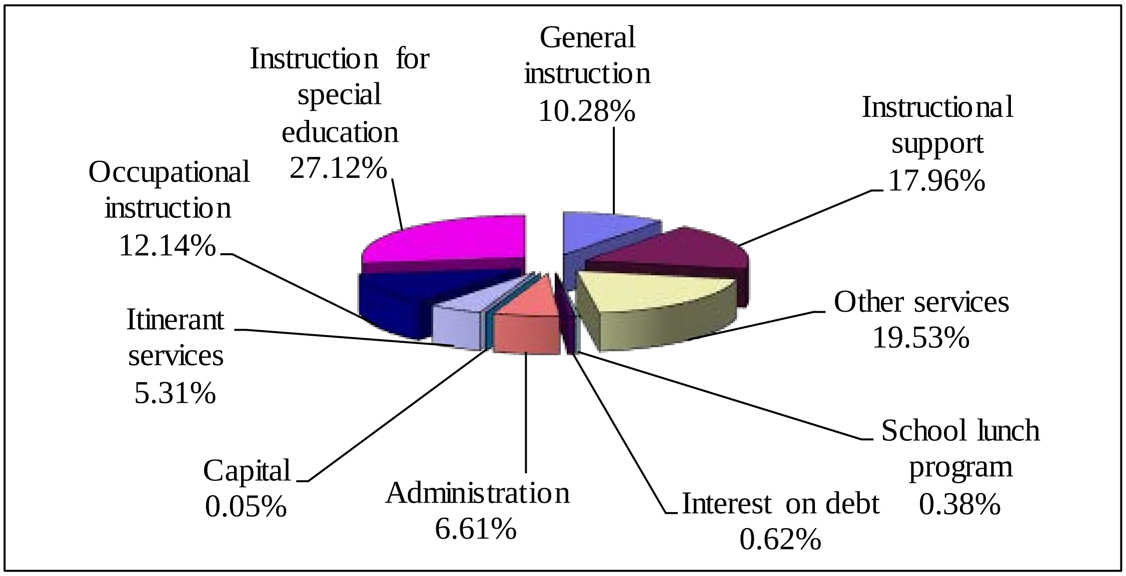
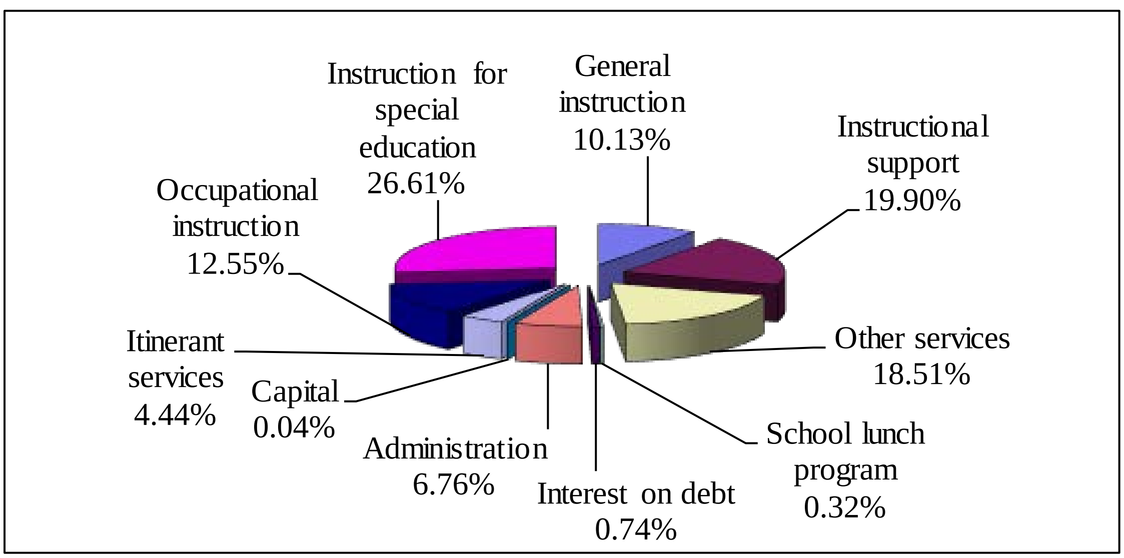


Figure 6

Cost of Programs for 2016



FINANCIAL ANALYSIS OF THE BOCES FUNDS

Figure 7 shows the changes in governmental fund balances for the year for BOCES' funds. As BOCES completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of $1,207,426, compared to $864,569 in the prior year, which is primarily due to the General Fund unemployment and retirement contribution reserves fund balance, net of School Lunch Fund deficit.

Figure 7

Governmental Fund Balances	***2016***	***2017***	***Total Dollar Change 2015-2016***
General Fund	$ 871,371	$ 1,214,598	$ 343,227
School Lunch Fund	(11,075)	(11,445)	(370)
Capital Projects Funds	4,273	4,273	-
Total Governmental Funds	**$ 864,569**	**$ 1,207,426**	**$ 342,857**

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves any increases, decreases or transfers between cosers. Budget revisions increase or decrease the overall budget based on school requests for services. The final budget did increase due to component school district requests for services.

Even with these adjustments, the actual charges to appropriations (expenditures) were well below the final budget amounts based on the services actually used by the component districts.

Revenues exceeded budget by $869,260, mainly due to refunds of prior year expenses. Expenditures were under-budget by $(5,965,809), primarily based on fewer school district requests for service than originally anticipated.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2017.

Figure 8

Condensed Budgetary Comparison General Fund - 2017	*Original Budget*	*Revised Budget*	*Acutal w/ Encumbrances*	*Favorable (Unfavorable) Variance*
REVENUES				
Charges to components - Administrative	$ 3,896,332	$ 3,896,326	$ 3,896,326	$ -
Charges to components - Services	39,118,521	41,080,725	41,080,725	-
Charges to other BOCES and non-components	453,297	917,655	917,655	-
Interest and earnings	75,000	75,000	36,344	(38,656)
Other revenues	213,301	172,341	1,080,257	907,916
Total Revenues and Other Financing Sources	**43,756,451**	**46,142,047**	**47,011,307**	**869,260**
EXPENDITURES				
Administration	$ 3,134,710	3,324,710	$ 2,930,378	394,332
Capital	22,000	25,452	25,120	332
Occupational instruction	5,357,309	5,422,612	4,866,460	556,152
Instruction for special education	11,806,811	12,681,445	10,764,472	1,916,973
Itinerant services	2,399,382	2,561,999	2,115,056	446,943
General instruction	3,724,677	4,091,479	3,543,855	547,624
Instructional support	7,941,880	8,999,642	7,720,702	1,278,940
Other services	8,530,066	8,385,092	7,700,443	684,649
Debt service	839,616	649,616	509,752	139,864
Total Expenditures and Other Financing (Uses)	**$ 43,756,451**	**$ 46,142,047**	**$ 40,176,238**	**$ 5,965,809**
Excess Revenues	**$ -**	**$ -**	**$ 6,835,069**	**$ 6,835,069**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, BOCES had invested in a broad range of capital assets. This amount represents a net decrease of $(324,766) from last year based on depreciation exceeding capital outlay.

Figure 9

Changes in Capital Assets	*Governmental Activities and Total BOCES*		*Total Dollar Change*
	2016	*2017*	*2016 - 2017*
Land	$ 165,708	$ 165,708	$ -
Buildings, net	10,840,729	10,436,277	(404,452)
Equipment, net	756,061	835,747	79,686
Total	**$ 11,762,498**	**$ 11,437,732**	**$ (324,766)**

Capital asset activity for the year ended June 30, 2017 included the following:	
Equipment additions	$ 303,352
Less net book value of disposed assets	(5,592)
Less depreciation expense	(622,526)
Net Decrease in Capital Assets	**$ (324,766)**

Debt Administration

Debt, considered a liability of Governmental Activities, decreased by $(219,103) in 2017, as a result of installment debt payments made during the year as shown in *Figure 10*.

Figure 10

Outstanding Debt	*Governmental Activities and Total BOCES*		*Total Dollar Change*
	2016	*2017*	*2016 - 2017*
Installment purchase debt	$ 1,995,015	$ 1,775,912	$ (219,103)
Total	**$ 1,995,015**	**$ 1,775,912**	**$ (219,103)**

Additional information on the maturities and terms of the BOCES' outstanding debt can be found in Note 7 to these financial statements.

FACTORS BEARING ON THE BOCES' FUTURE

- The 2% tax cap imposed on our component school districts by New York State continues to have an impact on the BOCES. Some programs have been and may be reduced further while other services have and may be increased in order to keep local tax increases within the 2% cap. Delays in state aid to the component school districts could have a negative impact on BOCES.

- BOCES continues to investigate expanding Central Business Office (CBO) services for interested component school districts. Expanded service offerings are under consideration, such as human resource data processing, tax collection services, and inventory control services. Additional services will, at some point, require a change in physical location of the CBO, as space at our current location is limited.

- Further renovations or off campus space will be needed to accommodate additional BOCES education offerings and back office services.

- BOCES is currently finalizing plans for a renovation/repair project of $8,044,020. The project targets repair of various items on the campus including: paving, replacing original HVAC roof units, original HVAC ducting in various buildings, original buried electrical and natural gas service to each of the buildings, and replacing one roof which has reached the end of its useful life.

- No pending or anticipated litigation has been noted.

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide BOCES' citizens, taxpayers, customers, investors, and creditors with a general overview of BOCES' finances and to demonstrate BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Tompkins-Seneca-Tioga BOCES, at 555 Warren Road, Ithaca, NY.

TOMPKINS-SENECA-TIOGA BOCES

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS		
Current Assets		
Cash and cash equivalents - Unrestricted	$	8,211,842
Cash and cash equivalents - Restricted		4,273
Due from state and federal governments		669,676
Due from school districts, net		123,898
Due from fiduciary funds		907
Other receivables, net		60,390
Inventories		8,530
Total Current Assets		9,079,516
Noncurrent Assets		
Restricted cash		1,214,598
Due from school districts - Capital projects		4,044,020
Capital assets, net:		
Nondepreciable		165,708
Depreciable capital assets, net		11,272,024
Total Noncurrent Assets		16,696,350
Total Assets		25,775,866
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		7,287,056
LIABILITIES		
Current Liabilities		
Due to school districts		6,835,069
Accounts payable		68,399
Accrued liabilities		42,425
Due to other governments		2,127
Overpayments and collections in advance		252,019
Due to Teachers' Retirement System		1,013,521
Due to Employees' Retirement System		538,770
Unearned revenues - Other		334,358
Current portion of long-term liabilities:		
Installment purchase debt payable		227,136
Total Current Liabilities		9,313,824
Noncurrent Liabilities		
Installment purchase debt payable		1,548,776
Unearned revenues - Capital projects		4,044,020
Other postemployment benefits liability		35,458,412
Net pension liability - Proportionate share		2,386,879
Total Noncurrent Liabilities		43,438,087
Total Liabilities		52,751,911
DEFERRED INFLOWS OF RESOURCES		
Pensions		649,871
NET POSITION		
Net investment in capital assets		9,661,820
Restricted		1,218,871
Unrestricted (deficit)		(31,219,551)
Total Net (Deficit)	$	**(20,338,860)**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS-SENECA-TIOGA BOCES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Administration	$ 3,102,934	$ 3,393,843	$	$	$ 290,909
Capital	25,120				(25,120)
Occupational instruction	5,697,559	4,862,142	92,022		(743,395)
Instruction for special education	12,720,351	10,661,175	138,415		(1,920,761)
Itinerant services	2,493,321	2,105,476			(387,845)
General instruction	4,822,636	3,636,055	617,969		(568,612)
Instructional support	8,427,223	7,133,864	74,336		(1,219,023)
Other services	9,162,321	7,407,579			(1,754,742)
School lunch program	176,825	1,986	155,679		(19,160)
Interest on debt	290,649				(290,649)
Total Functions and Programs	**$ 46,918,939**	**$ 39,202,120**	**$ 1,078,421**	**$ -**	(6,638,398)

GENERAL REVENUES	
Use of money and property	36,359
Sale of property and compensation for loss	31,649
Refund of prior years expenses	893,774
Net change in reservess	343,227
Miscellaneous	1,082,517
Total General Revenues	2,387,526
Change in Net Position	(4,250,872)
Total Net (Deficit) - Beginning of Year	(16,087,988)
Total Net (Deficit) - End of Year	**$ (20,338,860)**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS-SENECA-TIOGA BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major Funds	
	General Fund	Special Aid Fund
ASSETS		
Cash and cash equivalents - Unrestricted	$ 8,103,461	$ 94,964
Cash and cash equivalents - Restricted	1,214,598	
Due from other funds	832,462	407,614
Due from fiduciary funds	907	
State and federal aid		669,676
Due from school districts for services	123,898	
Due from school districts for capital projects		
Other receivables, net	25,378	35,012
Inventories		
Total Assets	**$ 10,300,704**	**$ 1,207,266**
LIABILITIES		
Due to school districts	6,835,069	
Accounts payable	68,151	175
Accrued liabilities	21,384	21,041
Due to other funds	407,614	808,749
Due to other governments	142	1,980
Overpayments and collections in advance	241,480	10,539
Due to Teachers' Retirement System	1,013,521	
Due to Employees' Retirement System	491,133	38,036
Unearned revenues	7,612	326,746
Unearned revenues - Capital projects		
Total Liabilities	9,086,106	1,207,266
FUND BALANCES		
Nonspendable		
Restricted	1,214,598	
Assigned		
Unassigned		
Total Fund Balances	1,214,598	-
Total Liabilities and Fund Balances	**$ 10,300,704**	**$ 1,207,266**

See Independent Auditor's Report and Notes to Basic Financial Statements

	Major Funds			
	School Lunch Fund	Capital Projects Funds Energy Performance	Capital Projects Funds Building Renovations	Total Governmental Funds
	$ 13,417	$	$	$ 8,211,842
		10	4,263	1,218,871
	1,287			1,241,363
				907
				669,676
				123,898
			4,044,020	4,044,020
				60,390
	8,530			8,530
	$ 23,234	**$ 10**	**$ 4,048,283**	**$ 15,579,497**
				6,835,069
	73			68,399
				42,425
	25,000			1,241,363
	5			2,127
				252,019
				1,013,521
	9,601			538,770
				334,358
			4,044,020	4,044,020
	34,679	-	4,044,020	14,372,071
	8,530			8,530
		10	4,263	1,218,871
				-
	(19,975)			(19,975)
	(11,445)	10	4,263	1,207,426
	$ 23,234	**$ 10**	**$ 4,048,283**	**$ 15,579,497**

TOMPKINS-SENECA-TIOGA BOCES

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund Balances - Total Governmental Funds			$	**1,207,426**
Amounts reported for Governmental Activities in the Statement of Net Position are different because:				
Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.				
Total historical cost	$	22,371,610		
Less accumulated depreciation		(10,933,878)		11,437,732
BOCES' proportionate share of the collective net pension (asset) liability is not reported in the funds.				
TRS net pension liability - Proportionate share	$	(576,356)		
ERS net pension liability - Proportionate share		(1,810,523)		(2,386,879)
Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.				
TRS deferred inflows - Pension	$	(307,444)		
ERS deferred inflows - Pension		(342,427)		
TRS deferred outflows - Pension		5,680,328		
ERS deferred outflows - Pension		1,606,728		6,637,185
Long-term liabilities, including installment debt payable and other postemployment benefits liability, are not due and payable in the current period and, therefore, are not reported in the funds.				
Installment purchase debt payable	$	(1,775,912)		
Other postemployment benefits liability		(35,458,412)		(37,234,324)
Net (Deficit) of Governmental Activities			$	**(20,338,860)**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS-SENECA-TIOGA BOCES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds	
	General Fund	Special Aid Fund
REVENUES		
Local sources		
Charges to components - Administrative	$ 3,896,326	$
Charges to components - Services	41,080,725	
Charge to other BOCES	917,655	
Interest and earnings	36,344	
Miscellaneous	149,242	
Refund of prior year's expenses	893,774	
Sales	37,241	
State sources		1,814,504
Federal sources		322,105
Total Revenues	47,011,307	2,136,609
EXPENDITURES		
Administration	2,930,378	
Capital	25,120	
Occupational instruction	4,866,460	92,022
Instruction for special education	10,764,472	957,634
Itinerant services	2,115,056	
General instruction	3,543,855	813,198
Instructional support	7,720,702	273,755
Cost of sales		
Other services	7,700,443	
Debt service		
Principal	219,103	
Interest	290,649	
Total Expenditures	40,176,238	2,136,609
Excess (Deficiency) of Revenues Over Expenditures	6,835,069	-
OTHER FINANCING SOURCES AND (USES)		
Refunds of surplus to districts	(6,835,069)	
Retirement contribution reserve revenue	350,644	
Insurance reserve revenue	3,546	
Insurance reserve expenditures	(10,963)	
Total Other (Uses) Sources	(6,491,842)	-
Net Change in Fund Balances	343,227	-
Fund Balances (Deficit) - Beginning of Year	871,371	
Fund Balances (Deficit) - End of Year	**$ 1,214,598**	**$ -**

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
School Lunch Fund	Capital Projects Funds: Energy Performance	Capital Projects Funds: Building Renovations	Total Governmental Funds
$	$	$	$ 3,896,326
			41,080,725
			917,655
15			36,359
			149,242
			893,774
1,986			39,227
4,095			1,818,599
151,584			473,689
157,680	-	-	49,305,596
			2,930,378
			25,120
			4,958,482
			11,722,106
			2,115,056
			4,357,053
			7,994,457
49,249			49,249
108,801			7,809,244
			219,103
			290,649
158,050	-	-	42,470,897
(370)	-	-	6,834,699
			(6,835,069)
			350,644
			3,546
			(10,963)
-	-	-	(6,491,842)
(370)	-	-	342,857
(11,075)	10	4,263	864,569
$ (11,445)	**$ 10**	**$ 4,263**	**$ 1,207,426**

TOMPKINS-SENECA-TIOGA BOCES

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds		**$**	**342,857**
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and net book value of disposals exceeded capital outlay.			
Capital outlay	$ 303,352		
Depreciation expense	(622,526)		
Net book value of disposals	(5,592)		(324,766)
Long-term liabilities, such as those associated with debt and other postemployment benefits, are reported in the Statement of Net Position. Therefore expenditures which result in an (increase) or decrease in these long-term liabilities are not reflected in the government-wide financial statements. This is the amount expended in the Governmental Fund financial statement for installment debt and other postemployment benefits.			
Installment debt payment	$ 219,103		
Net change in other postemployment benefits liability	(4,177,272)		(3,958,169)
Changes in BOCES' proportionate share of net pension (assets) liabilities have no effect on the current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in BOCES' deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and therefore are not reported in the Governmental Funds.			
ERS	$ (206,661)		
TRS	(104,133)		(310,794)
Net Change in Net Position of Governmental Activities		**$**	**(4,250,872)**

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS-SENECA-TIOGA BOCES

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents - Unrestricted	$	$ 554,475
Cash and cash equivalents - Restricted	2,508	
Investments - Restricted	81,405	
Total Assets	83,913	**$ 554,475**
LIABILITIES		
Extraclassroom Activity Funds balance		$ 54,234
Due to Governmental Funds		907
Other liabilities		499,334
Total Liabilities	-	**$ 554,475**
NET POSITION		
Reserved for scholarships	**$ 83,913**	

See Independent Auditor's Report and Notes to Basic Financial Statements

TOMPKINS-SENECA-TIOGA BOCES

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

		Private Purpose Trust Fund
ADDITIONS		
Gifts and contributions	$	16,510
Investment earnings		137
Total Additions		16,647
DEDUCTIONS		
Scholarships and awards		4,650
Change in Net Position		11,997
Net Position - Beginning of Year		71,916
Net Position - End of Year	**$**	**83,913**

See Independent Auditor's Report and Notes to Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

The accompanying financial statements of Tompkins Seneca Tioga Board of Cooperative Educational Services (BOCES) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

Tompkins-Seneca-Tioga BOCES is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying basic financial statements are those transactions which comprise operations, are governed by, or significantly influenced by the Board of Cooperative Educational Services.

Essentially, the primary function of BOCES is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

BOCES were established by New York State Legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs to provide educational and support activities more economically, efficiently, and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following nine school districts in New York's Tompkins, Seneca, and Tioga counties: Candor, Dryden, George Junior Republic, Groton, Ithaca, Lansing, Newfield, South Seneca, and Trumansburg.

BOCES' programs and services include special education, vocational education, academic and alternative programs, summer schools, staff development, employee benefits coordination, work environment, health and safety, educational communication, cooperative purchasing, and central business office services.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is BOCES;
- Organizations for which the primary government is financially accountable, and;

Note 1 Summary of Significant Accounting Policies - Continued

Financial Reporting Entity - Continued

- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of BOCES. BOCES is not a component unit of another reporting entity.

The decision to include a potential component unit in BOCES reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in BOCES reporting entity.

The Extraclassroom Activity Funds of BOCES represent funds of the students of BOCES. BOCES exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and designation of student management, and the cash and investment balances are reported in the Agency Fund of the BOCES. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from BOCES business office located at 555 Warren Road, Ithaca, NY.

Basis of Presentation - Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about BOCES' Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through exchange transactions with component school districts and other BOCES, as well as non-exchange transactions in the form of federal and state grants. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of BOCES Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the BOCES programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. 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.

Note 1 Summary of Significant Accounting Policies - Continued

Basis of Presentation - Governmental Fund Financial Statements
The Governmental Fund financial statements provide information about BOCES' funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

BOCES reports the following Major Governmental Funds:

- General Fund: This is BOCES' primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund. The General Fund includes the Risk Retention Fund.

- Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

  - Special Aid Fund: Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants, 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.

  - School Lunch Fund: Accounts for revenues and expenditures in connection with BOCES' food service program.

- Capital Projects Funds: Accounts for and reports financial resources to be used for the acquisition, construction, or renovation of major capital facilities, or equipment. These funds currently are used to account for the financial resources used for the renovation of the campus buildings.

Fiduciary Activities are those in which BOCES acts as trust or agent for resources that belong to others. These activities are not included in the Government-wide financial statements because their resources do not belong to BOCES, and are not available to be used.

BOCES reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds are not included in the Government-wide financial statements because their resources do not belong to BOCES and are not available to be used.

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

Basis of Presentation - Governmental Fund Financial Statements - Continued

- Agency Funds: Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by BOCES as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The Government-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. BOCES considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

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

Cash and Investments

BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs BOCES' investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Investments are stated at fair value.

Note 1 Summary of Significant Accounting Policies - Continued

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, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by BOCES for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

The recognition for these non-liquid assets (inventories and prepaid items) has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at historical cost. Donated assets are reported at estimated fair market value at the time received.

BOCES depreciates capital assets using the straight-line method of depreciation. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), and estimated useful lives of capital assets reported in the Government-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 5,000	50 years
Building improvements	5,000	30 years
Furniture and equipment	5,000	5-15 years

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. BOCES reports deferred outflows of resources related to pensions in the BOCES-wide Statement of Net Position. The types of deferred outflows of resources related to pensions are described in Note 9.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. BOCES reports deferred inflows of resources related to pensions which are further described in Note 9.

Vested Employee Benefits - Compensated Absences

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

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

BOCES' employees are granted vacation time in varying amounts, based primarily length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, “Accounting for Compensated Absences,” the liability is included in the Government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

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

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

In addition to providing pension benefits, BOCES provides health insurance coverage and survivor benefits for retired employees and their survivors, per employee contracts. Substantially all BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between BOCES and the retired employee. BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

BOCES follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." BOCES' liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

Unearned and Unavailable Revenues
Unearned revenues arise when resources are received by 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 BOCES has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements may also report deferred inflow of resources, if applicable, when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded. Unavailable revenues are reported as deferred inflows of resources on the Balance Sheet.

Overpayments and Collections in Advance
Overpayments and collections in advance 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 the BOCES has legal claim to the resources, the liability is removed and revenues are recorded.

Restricted Resources
When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is BOCES' policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Note 1 Summary of Significant Accounting Policies - Continued

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 judgements, other postemployment benefit payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Equity Classifications - Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted: Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

- Unrestricted: Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

BOCES follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach provides users more consistent and understandable information about a fund's net resources.

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

Equity Classifications - Governmental Fund Financial Statements - Continued
Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable: Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.

- Restricted: Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of BOCES' legally adopted reserves are reported here.

- Committed: Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

- Assigned: Consists of amounts subject to a purpose constraint representing an intended use established by the government’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- Unassigned: Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Board of Education of BOCES has not adopted any resolutions to commit fund balance. By resolution, the Board of Education authorized the Superintendent to assign fund balance. BOCES’ policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

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

Equity Classifications - Legally Adopted Reserves
Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to BOCES within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by BOCES include the following:

- Unemployment Insurance Reserve (GML §6-m): Used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

- Retirement Contribution Reserve (GML §6-r): Used to reserve funds for the purpose of financing retirement contributions. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Interfund Transfers
The operations of BOCES give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

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, other postemployment liabilities, potential contingent liabilities and useful lives of long-lived assets.

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

New Accounting Standards

BOCES has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2017:

- GASB has issued Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ended June 30, 2017.

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

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

- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ended June 30, 2017.

- GASB has issued Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Future Changes in Accounting Standards

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

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

Future Changes in Accounting Standards - Continued

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

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.

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

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

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

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

Note 2 **Cash and Cash Equivalents - 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, 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 BOCES' investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in BOCES' name.

BOCES' aggregate bank balances of $10,495,978 are either insured or collateralized with securities held by the pledging financial institution in BOCES' name.

Restricted cash consists of $1,214,598 in the General Fund for restricted reserves, and $4,273 of cash restricted for capital projects in the Capital Projects Funds.

Note 2 **Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued**

BOCES has few investments (primarily donated Scholarship Funds), and chooses to disclose its investments by specifically identifying each. BOCES' investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- Insured or registered, or investments held by BOCES or by the BOCES' agent in BOCES' name, or

- Uninsured and unregistered, with investments held by the financial institution's trust department in BOCES' name, or

- Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in BOCES' name.

	Cost	Carrying Amount Fair Value	Type of Investment	Category
Private Purpose Trust Fund	$ 81,405	$ 81,405	Certificate Of Deposit	(1)

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

BOCES does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Note 3 **Other Receivables**

Other receivables consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Reimbursement for program services	$ 25,378
Special Aid Fund	Reimbursement for program services	35,012
Total		**$ 60,390**

Note 4 Interfund Balances and Activity

Interfund balances at June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	$ 832,462	$ 407,614	$	$
Special Aid Fund	407,614	808,749		
School Lunch Fund	1,287	25,000		
Total	**$ 1,241,363**	**$ 1,241,363**	**$ -**	**$ -**

Interfund receivables and payables are eliminated on the Statement of Net Position.

BOCES typically transfers from the General Fund to the Special Aid Fund. BOCES may also transfer funds from the General Fund to the Capital Projects Fund to fund capital projects. Periodically, BOCES may transfer funds as needed to subsidize the School Lunch Fund.

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 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

Governmental Activities	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Capital assets that are not depreciated:				
Land	$ 165,708	$	$	$ 165,708
Total Nondepreciable Historical Cost	165,708	-	-	165,708
Capital assets that are depreciated:				
Buildings	18,646,668			18,646,668
Furniture and equipment	3,406,722	303,352	(150,840)	3,559,234
Total Depreciable Historical Cost	22,053,390	303,352	(150,840)	22,205,902
Total Historical Cost	22,219,098	303,352	(150,840)	22,371,610
Less accumulated depreciation:				
Buildings	(7,805,939)	(404,452)		(8,210,391)
Furniture and equipment	(2,650,661)	(218,074)	145,248	(2,723,487)
Total Accumulated Depreciation	(10,456,600)	(622,526)	145,248	(10,933,878)
Total Historical Cost, Net	**$ 11,762,498**	**$ (319,174)**	**$ (5,592)**	**$ 11,437,732**

Note 5 **Capital Assets - Continued**

Depreciation expense was charged to governmental functions as follows:

Administration	$	57,374
Occupational instruction		184,299
Instruction for the handicapped		209,610
Itinerant services		505
General instruction		2,814
Instructional support		86,751
Other services		81,173
Total Depreciation Expense	**$**	**622,526**

Note 6 **Short-term Debt**

BOCES may issue Revenue Anticipation Notes (RANs) 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. BOCES issued and redeemed $25,440,000 of RANs during the year in order to provide working capital. Interest on short-term debt for the year was $220,136.

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

	Beginning Balance	Issued	Refinanced/ Redeemed	Ending Balance
RANs	$	$ 25,440,000	$ (25,440,000)	$
Total	**$ -**	**$ 25,440,000**	**$ (25,440,000)**	**$ -**

Note 7 **Long-term Debt**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
EPC Leases (Capital lease)	$ 1,995,015	$	$ (219,103)	$ 1,775,912	$ 227,136
Total Long-term Debt	**$ 1,995,015**	**$ -**	**$ (219,103)**	**$ 1,775,912**	**$ 227,136**

Interest on long-term debt for the year was $70,513. Refer to Note 8 for further capital lease information.

Note 8 Lease Commitments and Leased Assets

Operating Leases

BOCES, as lessee, leases property and equipment under operating leases. Total rental expenses on such leases for the fiscal year ended June 30, 2017, were approximately $31,351.

The following is a schedule of future minimum payments under operating leases as of June 30, 2017.

Fiscal Year Ending June 30,		Amount
2018	$	31,351
2019		18,288
	$	**49,639**

Classroom Rental

BOCES negotiates a yearly classroom rental. This is a one year obligation. Total rent paid for 2016-2017 amounted to $25,120.

Capital Leases (Installment Purchase Debt)

BOCES is obligated under certain leases accounted for as capital leases. Net book value of assets purchased under capital leases totaled $2,531,835 at June 30, 2017.

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, 2017.

Fiscal Year Ending June 30,		Payments
2018	$	289,615
2019		289,615
2020		289,615
2021		289,615
2022		289,615
2023-2024		579,230
Minimum Lease Payments		2,027,305
Less: Amounts representing interest at BOCES incremental borrowing rate		(251,393)
Present Value - Minimum Lease Payments	**$**	**1,775,912**

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

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

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)
BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

Summary of Significant Accounting Policies
The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions
BOCES is required to contribute at an actuarially determined rate. 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:

	ERS	TRS
2017	**$ 814,070**	**$ 1,372,222**
2016	878,315	1,372,953
2015	1,042,045	859,636

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

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

	ERS	TRS
Actuarial valuation date	4/1/2016	6/30/2015
Net pension (asset) liability	$ 9,396,223,126	$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	1,810,523	576,356
School District's share of the Plan's total net pension (asset) liability	0.0192686%	0.0538130%

For the year ended June 30, 2017, BOCES recognized pension expense of $1,028,424 for ERS and $934,307 for TRS in the BOCES-wide financial statements. At June 30, 2017 BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	**TRS**	**ERS**	**TRS**
Differences between expected and actual experience	$ 45,370	$	$ 274,938	$ 187,233
Changes of assumptions	618,541	3,283,289		
Net differences between projected and actual earnings on pension plan investments	361,635	1,295,951		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	42,412		67,489	120,211
School District's contributions subsequent to the measurement date	538,770	1,101,088		
Total	**$ 1,606,728**	**$ 5,680,328**	**$ 342,427**	**$ 307,444**

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

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

Year Ended	ERS	TRS
2018	$ 334,011	$ 381,827
2019	334,011	381,827
2020	301,003	1,388,299
2021	(243,494)	1,075,156
2022		482,790
Thereafter		561,897

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary increases	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	3.0%

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions - Continued
For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

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

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

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions - Continued

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

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	$ 5,782,450	$ 1,810,523	$ (1,547,735)

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	$ 7,519,870	$ 576,356	$ (5,247,500)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension (asset) liability	$ 177,400,586	$ 108,577,184
Plan net position	(168,004,363)	(107,506,142)
Employers' net pension (asset) liability	**$ 9,396,223**	**$ 1,071,042**
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	94.7%	99.0%

Note 9 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $538,770.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $1,013,521.

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension (asset) liability	$ 3,309,520	$ (1,498,997)	$ 1,810,523
Deferred outflows of resources	(3,393,738)	1,787,010	(1,606,728)
Deferred inflows of resources	423,779	(81,352)	342,427
Subtotal	339,561	206,661	546,222
TRS:			
Net pension (asset) liability	(5,412,721)	5,989,077	576,356
Deferred outflows of resources	(1,372,222)	(4,308,106)	(5,680,328)
Deferred inflows of resources	1,884,282	(1,576,838)	307,444
Subtotal	(4,900,661)	104,133	(4,796,528)
Total	**$ (4,561,100)**	**$ 310,794**	**$ (4,250,306)**

Note 10 **Other Postemployment Benefits**

In addition to providing pension benefits, the BOCES provides health insurance coverage for retired employees and their survivors. Substantially all of the BOCES's employees could become eligible for these benefits if they reach normal retirement age while working for the BOCES. These benefits are provided through an insurance company whose premiums are based on the benefits paid. The BOCES recognizes the cost of providing benefits by recording its share of the insurance premiums as an expenditure in the year paid.

BOCES complies with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, BOCES reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. Based on GASB Statement No. 45 guidelines, an employer with more than 100 participants must complete a full actuarial valuation at least biennially. However, a new valuation is required if significant changes have occurred since the previous actuarial valuation.

The most recent valuation is based on plan data submitted for the actuarial valuation of the BOCES' Postretirement Health Care Plan (Plan) performed as of July 1, 2016 for the fiscal year ended June 30, 2017.

Plan Description - The Plan is a single-employer, defined benefit other postemployment benefit plan administered by BOCES. The Plan provides for continuation of health insurance benefits to eligible retirees and their spouses and can be amended by action of BOCES subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The obligations of Plan members, employers and other entities are established by action of BOCES pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. BOCES currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For the year ended June 30, 2017, BOCES paid $1,111,245 current premiums on behalf of 120 retirees. The expected employer contribution of $1,174,014 represents an actuarially determined estimate of premiums and claims paid on behalf of retirees. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

BOCES' annual other postemployment 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a total of 30 years.

Note 10 **Other Postemployment Benefits - Continued**

The following table shows the components of BOCES' annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in BOCES' net OPEB obligation to the Plan:

Normal cost	$	2,923,069
Amortization of unfunded actuarial accrued liability (UAAL)		3,326,063
Total Annual Required Contribution		6,249,132
Interest on net OPEB obligation		1,094,840
Adjustment to annual required contribution		(1,992,686)
Annual OPEB Cost (Expense)		5,351,286
Expected employer contributions		(1,174,014)
Increase in Net OPEB Obligation		4,177,272
Net OPEB Obligation - July 1, 2016		31,281,140
Net OPEB Obligation - June 30, 2017	**$**	**35,458,412**

BOCES' annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2017	$	5,351,286	21.9%	$	35,458,412
6/30/2016		5,883,722	21.2%		31,281,140
6/30/2015		5,579,631	20.3%		26,646,459

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was $50,446,805; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was $18,363,141 and the ratio of the UAAL to the covered payroll was 274.7%.

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 healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Note 10 **Other Postemployment Benefits - Continued**

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, 2016, Actuarial Valuation Report, the projected unit credit method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumption included an annual discount rate of 3.5%. Additional actuarial assumptions included an annual medical cost trend rates of 6.75% initially, reduced by decrements to an ultimate rate of 3.84%.

Note 11 **Commitments and Contingencies**

Risk Financing and Related Insurance - General Information

BOCES is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. 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 three years.

Risk Financing and Related Insurance - Health Insurance

BOCES incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to the May 1, immediately preceding the commencement of the next school year. Plan members include nine school districts, with BOCES bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

Note 11 **Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Health Insurance - Continued
The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. BOCES premium was $3,878,170 for the year ended June 30, 2017. Financial statements for the Plan can be obtained by contacting the BOCES' Business Office.

Risk Financing and Related Insurance - Workers' Compensation Insurance
BOCES incurs costs related to a workers' compensation insurance plan (Plan) sponsored by BOCES and its component school districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of one year; a member school district may withdraw from the Plan after that time by forwarding a resolution passed by its Board of Education prior to the end of the fiscal year. Plan members include eight school districts and one BOCES, with BOCES bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount.

Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. BOCES premium was $170,314 for the year ended June 30, 2017. Financial statements for the Plan can be obtained by contacting the BOCES Business Office.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 11 **Commitments and Contingencies - Continued**

Other Item

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

Capital Projects

BOCES is currently finalizing plans for a renovation/repair project of $8,044,020. The project will repair various items on campus including: paving and replacing original HVAC roof units, original HVAC ducting in various buildings, original buried electrical and natural gas service to each of the buildings, and one roof which has reached the end of its useful life.

Note 12 ***Fund Balance Detail***

At June 30, 2017, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Capital Project Funds-EPC	Capital Project Funds - Bldg D
Nonspendable					
Inventory	$	$	$ 8,530	$	$
Total Nonspendable Fund Balance	**$ -**	**$ -**	**$ 8,530**	**$ -**	**$ -**
Restricted					
Unemployment insurance reserve	$ 189,580	$	$	$	$
Retirement contribution reserve	1,025,018				
Capital project funds - EPC				10	
Capital project funds - Bldg D					4,263
Total Restricted Fund Balance	**$ 1,214,598**	**$ -**	**$ -**	**$ 10**	**$ 4,263**

Note 13 **General Fund Restricted Fund Balances**

Portions of restricted fund balance are reserved and are not available for current expenditures as reported in the General Fund Governmental Funds Balance Sheet. General Fund reserve balance and activity for the year ended June 30, 2017 of the reserve was as follows:

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Unemployment insurance reserve	$ 196,997	$ 3,400	$ 146	$ (10,963)	$ 189,580
Retirement contribution reserve	674,374	350,000	644	-	1,025,018
Total	**$ 871,371**	**$ 353,400**	**$ 790**	**$ (10,963)**	**$ 1,214,598**

Note 14 **Stewardship, Compliance, Accountability**

Deficit Fund Balance

The School Lunch Fund had a deficit fund balance of $(11,445) at June 30, 2017. This deficit will be eliminated via revenue enhancement and cost containment measures.

Deficit Net Position

At June 30, 2017 the BOCES-wide Statement of Net Position had an unrestricted deficit net position of $(31,219,551). This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 10.) The deficit is not expected to be eliminated during the normal course of operations.

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget
REVENUES		
Local Sources		
Charges to components - Administrative	$ 3,896,332	$ 3,896,326
Charges to components - Services	39,118,521	41,080,725
Charge to other BOCES	453,297	917,655
Interest and earnings	75,000	75,000
Miscellaneous	204,868	163,908
Refund of prior years expenses	8,433	8,433
Sales		
Total Local Sources	43,756,451	46,142,047
Total Revenues	43,756,451	46,142,047
EXPENDITURES		
Administration	3,134,710	3,324,710
Capital	22,000	25,452
Occupational instruction	5,357,309	5,422,612
Instruction for special education	11,806,811	12,681,445
Itinerant services	2,399,382	2,561,999
General instruction	3,724,677	4,091,479
Instructional support	7,941,880	8,999,642
Other services	8,530,066	8,385,092
Debt service		
Principal	219,103	219,103
Interest	620,513	430,513
Total Expenditures	43,756,451	46,142,047
OTHER FINANCING SOURCES (USES)		
Refunds of surplus to school districts		
Retirement contribution reserve revenue		
Insurance reserve revenue		
Insurance reserve expenditures		
Total Other Financing (Uses)	-	-
Net Change in Fund Balance	**$ -**	**$ -**

See Independent Auditor's Report and Notes to Required Supplementary Information

Actual	Encumbrances	Variance Favorable (Unfavorable)
$ 3,896,326	$	$ -
41,080,725		-
917,655		-
36,344		(38,656)
149,242		(14,666)
893,774		885,341
37,241		37,241
47,011,307	-	869,260
47,011,307	-	869,260
2,930,378		394,332
25,120		332
4,866,460		556,152
10,764,472		1,916,973
2,115,056		446,943
3,543,855		547,624
7,720,702		1,278,940
7,700,443		684,649
219,103		-
290,649		139,864
40,176,238	-	5,965,809
(6,835,069)		(6,835,069)
350,644		350,644
3,546		3,546
(10,963)		(10,963)
(6,491,842)	-	(6,491,842)
$ 343,227	**$ -**	**$ 343,227**

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Year End	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2017	**7/1/2016**	**$ -**	**$ 50,446,805**	**$ 50,446,805**	**0.0%**	**$ 18,363,141**	**274.7%**
6/30/2016	7/1/2014	-	51,994,262	51,994,262	0.0%	15,031,771	345.9%
6/30/2015	7/1/2014	-	48,271,044	48,271,044	0.0%	14,619,435	330.2%
6/30/2014	7/1/2012	-	44,847,798	44,847,798	0.0%	14,221,757	315.3%
6/30/2013	7/1/2012	-	41,605,836	41,605,836	0.0%	13,928,634	298.7%

See Independent Auditor's Report and Notes to Required Supplementary Information

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF BOCES' CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Contractually required contribution	**$ 814,070**	$ 878,315	$ 1,042,045
Contributions in relation to the contractually required contribution	**(814,070)**	(878,315)	(1,042,045)
Contribution deficiency (excess)	**-**	-	-
BOCES' covered payroll or year ending June 30,	**5,523,032**	5,407,570	5,534,413
Contributions as a percentage of covered payroll	**14.7%**	16.2%	18.8%

SCHEDULE OF BOCES' CONTRIBUTIONS
NYSTRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Contractually required contribution	**$ 1,101,088**	$ 1,372,222	$ 1,372,953
Contributions in relation to the contractually required contribution	**(1,101,088)**	(1,372,222)	(1,372,953)
Contribution deficiency (excess)	**-**	-	-
BOCES' covered payroll or year ending June 30,	**9,394,949**	10,348,582	7,832,019
Contributions as a percentage of covered payroll	**11.7%**	13.3%	17.5%

See Independent Auditor's Report and Notes to Required Supplementary Information

2014	2013	2012	2011	2010	2009	2008
$ 1,041,653	$ 937,601	$ 847,337	$ 615,940	$ 330,533	$ 398,198	$ 462,050
(1,041,653)	(937,601)	(847,337)	(615,940)	(330,533)	(398,198)	(462,050)
-	-	-	-	-	-	-
5,494,352	5,403,690	5,433,039	5,373,299	5,043,373	4,881,417	4,702,969
19.0%	17.4%	15.6%	11.5%	6.6%	8.2%	9.8%

2014	2013	2012	2011	2010	2009	2008
$ 859,636	$ 831,385	$ 643,020	$ 485,790	$ 582,111	$ 657,875	$ 603,023
(859,636)	(831,385)	(643,020)	(485,790)	(582,111)	(657,875)	(603,023)
-	-	-	-	-	-	-
5,290,068	7,021,833	5,787,759	5,635,615	9,404,055	8,622,215	6,907,480
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
BOCES' proportion of the net pension (asset) liability	**0.0192686%**	0.0206197%	0.0213450%
BOCES' proportionate share of the net pension (asset) liability	**$ 1,810,523**	$ 3,309,250	$ 721,085
BOCES' covered payroll	**5,493,848**	5,304,224	5,611,142
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered payroll	**33.0%**	62.4%	12.9%
Plan fiduciary net position as a percentage of the total pension (asset) liability	**94.7%**	90.7%	97.9%

SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
BOCES' proportion of the net pension (asset) liability	**0.053813%**	0.052111%	0.051726%
BOCES' proportionate share of the net pension (asset) liability	**$ 576,356**	$ (5,412,721)	$ (5,761,991)
BOCES' covered payroll	**10,348,582**	7,832,019	5,290,068
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered payroll	**5.6%**	(69.1%)	(108.9%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	**99.0%**	(110.5%)	(111.5%)

See Independent Auditor's Report and Notes to Required Supplementary Information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 **Budgetary Procedures and Budgetary Accounting**

BOCES' administration prepares a proposed budget for approval by the Board of Cooperative Educational Services for the General Fund for which a legal (appropriated) budget is adopted.

Appropriations are adopted at the program line level. 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. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Board authorized increases in contractual charges to school districts	$	1,962,198
Other BOCES contractual adjustments		464,358
Miscellaneous local sources		(40,960)
Total Revisions	**$**	**2,385,596**

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances, if any, carried forward from the prior year. Insurance reserves expenditures are not budgeted.

Annual legal budgets are not adopted for the Special Aid Fund or School Lunch Fund. Budgetary controls for the Special Aid Fund are established in accordance with applicable grant agreements. Budgetary controls for the School Lunch Fund are developed internally.

Note 2 **Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund’s excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2017.

There were no encumbrances at June 30, 2017.

Note 3 **Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4 **Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability**

The Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 **Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

Note 5 **Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS:

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Note 5 Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability - Continued

NYSTRS - Continued

Changes of Assumptions - Continued
Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions
The actuarially determined contribution rates in the Schedule of BOCES' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the BOCES' Contributions.

Note 5 **Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the BOCES' Proportionate Share of the Net Pension (Asset) Liability - Continued**

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
Asset valuation method	Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Projected cost of living adjustments	1.5% compounded annually

TOMPKINS-SENECA-TIOGA BOCES

ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

	2017	2016
July 1, - (Credit) Balance	**$ (5,352,190)**	$ (5,070,090)
Debits		
Billings to school districts	**45,894,706**	43,310,728
Refund of balances due school districts	**5,546,291**	5,097,236
Total Debits	**51,440,997**	48,407,964
Credits		
Collection from school districts	**45,964,909**	43,143,773
Adjustment - Credits to school districts - revenues in excess of expenditures	**6,835,069**	5,546,291
Total Credits	**52,799,978**	48,690,064
June 30, - (Credit) Balance	**$ (6,711,171)**	$ (5,352,190)
Balance Represented by:		
Due from school districts, net	**$ 123,898**	$ 194,101
Refunds due school districts	**(6,835,069)**	(5,546,291)
Total	**$ (6,711,171)**	$ (5,352,190)

See Independent Auditor's Report

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

			Expenditures			
PROJECT TITLE	**Original Budget**	**Revised Budget**	**Prior Years**	**Current Year**	**Interfund Transfer**	**Total**
EPC Lease Purchase	$ 2,888,955	$ 3,345,155	$ 3,345,260	$	$	$ 3,345,260
Building D Renovations #61-90-020-00-0-011-007	1,100,000	1,100,000	695,737			695,737
Administration Building A Renovations #61-90-00-00-1-001-007	1,069,136	1,069,136				
Powell Building B Renovations #61-90-00-00-0-009-008	1,248,735	1,248,735				
Career and Tech Building C Renovations #61-90-00-00-0-010-009	255,385	255,385				
Occ Ed Building D Renovations #61-90-00-00-0-011-008	843,839	843,839				
Special Ed Building E Renovations #61-90-00-00-0-012-012	4,461,575	4,461,575				
Greenhouse Building F Renovations #61-90-00-00-0-008-006	6,965	6,965				
Maintenance Building G Renovations #61-90-00-00-2-007-005	158,385	158,385				
Total	**$ 12,032,975**	**$ 12,489,175**	**$ 4,040,997**	**$ -**	**$ -**	**$ 4,040,997**

See Independent Auditor's Report

	Methods of Financing				Fund
Unexpended Balance	Proceeds of Obligations	Federal Aid	Local Sources	Total	Balance June 30, 2017
$ -	$ 2,888,955	$ 139,704	$ 316,611	$ 3,345,270	$ 10
404,263			700,000	700,000	4,263
1,069,136					-
1,248,735					-
255,385					-
843,839					-
4,461,575					-
6,965					-
158,385					-
$ 8,448,283	**$ 2,888,955**	**$ 139,704**	**$ 1,016,611**	**$ 4,045,270**	**$ 4,273**

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES
COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

	REVENUES			
	Original Budget	**Final Budget**	**Current Year's Revenues**	**Over (Under) Final Budget**
Administration 001	$ 3,996,332	$ 3,999,778	$ 3,967,732	$ (32,046)
Capital 002				-
Occupational Instruction 100-199	5,357,309	5,422,613	5,419,916	(2,697)
Instruction for Special Education 200-299	11,806,811	12,681,445	12,779,742	98,297
Itinerant 300-399	2,399,382	2,561,999	2,571,579	9,580
General Instruction 400-499	3,724,677	4,091,479	4,100,443	8,964
Instructional Support 500-599	7,941,878	8,999,641	9,556,826	557,185
Other Services 600-699	8,530,062	8,385,092	8,615,069	229,977
Total	**$ 43,756,451**	**$ 46,142,047**	**$ 47,011,307**	**$ 869,260**

Excess Revenues

See Independent Auditor's Report

EXPENDITURES				
Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
$ 3,974,326	$ 3,974,326	$ 3,440,130	$	$ 534,196
22,000	25,452	25,120		332
5,357,309	5,422,612	4,866,460		556,152
11,806,811	12,681,445	10,764,472		1,916,973
2,399,382	2,561,999	2,115,056		446,943
3,724,677	4,091,479	3,543,855		547,624
7,941,880	8,999,642	7,720,702		1,278,940
8,530,066	8,385,092	7,700,443		684,649
$ 43,756,451	**$ 46,142,047**	40,176,238	**$ -**	**$ 5,965,809**
		$ 6,835,069		

TOMPKINS-SENECA-TIOGA BOCES

SPECIALLY AIDED PROGRAMS
FEDERALLY ASSISTED PROGRAMS
BUDGET COMPARISON STATEMENT
PROJECTS OPEN AT JUNE 30, 2017

	Federal CFDA #	Project Number	Original Award Program	Revised Budget
U.S. Department of Education				
AEA Title II, WIA	84.002	2338-17-2099	$ 90,000	$ 90,000
Career and Technical Education - Basic Grants to States (Formerly VATEA)	84.048	8000-17-0009	92,023	92,023
IDEA - CDOS	84.027A	0031-17-0027	298,595	140,096
Total U.S. Department of Education			480,618	322,119
Total Federal Assistance - Open Projects			480,618	322,119
U.S. Department of Education				
AEA Title II, WIA	84.002	2338-17-2099	$ 90,000	$ 88,694
Career and Technical Education - Basic Grants to States (Formerly VATEA)	84.048	8000-17-0009	97,597	90,701
IDEA - CDOS	84.027A	0031-17-0027	61,785	61,785
Total Federal Assistance - Closed Projects			249,382	241,180
Total Federal Assistance - Open and Closed Projects			**$ 730,000**	**$ 563,299**

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Expenditures			
Prior Year	Current Year	Total	Unexpended (Overexpended)
$	$ 89,988	$ 89,988	$ 12
	92,022	92,022	1
	140,095	140,095	1
-	322,105	322,105	14
-	322,105	322,105	14
88,694		88,694	-
90,701		90,701	-
61,785		61,785	-
241,180	-	241,180	-
$ 241,180	**$ 322,105**	**$ 563,285**	**$ 14**

TOMPKINS-SENECA-TIOGA BOCES

SPECIALLY AIDED PROGRAMS
STATE AND OTHER GRANT PROGRAMS
BUDGET COMPARISON STATEMENT
PROJECTS OPEN AT JUNE 30, 2017

Grantor Title/ Pass - Through Grantor	Grantor's Project No.	Original Award Program	Revised Budget
NYS Dept. of Education			
IDEA, Part B, SESIS	C010290	$ 354,452	$ 177,226
Youth Development	N/A	33,705	51,873
Learning Technology	0647-16-0041		49,592
School Library	0365-17-0035	84,082	87,709
School Library Extra	0317-17-0035	5,327	5,327
School Library Supplemental	0317-17-1035	44,120	46,023
School Library Automation	0364-17-0035	8,408	8,771
Youth Action Program	N/A	21,581	21,581
Drug Free Rollover	N/A	79,936	79,936
Employment Preparation Education	SA4320	539,900	567,713
Adult Education Tuition (EPE)	T009458	114,200	180,200
Summer School	N/A		228,141
Food Stamps	N/A	36,000	36,000
Tompkins County Justice	N/A	22,588	22,588
Total NYS Dept. of Education		1,344,299	1,562,680
NYS OASAS			
Youth Development	N/A	212,346	106,173
Total Open New York State Projects		1,556,645	1,668,853
CLOSED NYS PROJECTS AT JUNE 30, 2017			
NYS Dept. of Education			
IDEA, Part B, SESIS	C010290	$ 171,911	$ 171,911
Youth Development	N/A	35,323	35,323
Learning Technology	0647160041	49,592	49,592
Healthy Schools	C026569	28,212	28,212
School Library	0365-16-0035	78,626	84,082
School Library Supplemental	0317-16-1035	113,168	209,935
Employment Preparation Education	SA4320	505,515	567,141
Summer School	N/A	792,697	792,697
Food Stamps	N/A	8,444	19,444
Tompkins County Justice	N/A	34,020	59,320
Total NYS Dept. of Education		1,817,508	2,017,657
NYS OASAS			
Youth Development	N/A	106,173	106,173
Total Closed New York State Projects		1,923,681	2,123,830
TOTAL NEW YORK STATE		**$ 3,480,326**	**$ 3,792,683**

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	Expenditures			
	Prior Year	Current Year	Total	Unexpended (Overexpended
	$	$ 138,415	$ 138,415	$ 38,811
		3,282	3,282	48,591
		25,018	25,018	24,574
		48,211	48,211	39,498
		3,031	3,031	2,296
		19,595	19,595	26,428
		3,498	3,498	5,273
		2,647	2,647	18,934
		403	403	79,533
		527,982	527,982	39,731
		112,001	112,001	68,199
		7,562	7,562	220,579
		15,334	15,334	20,666
		22,588	22,588	-
	-	929,567	929,567	633,113
		56,445	56,445	49,728
	-	986,012	986,012	682,841
	$ 146,378	$	$ 146,378	$ 25,533
	1,535		1,535	33,788
	14,128		14,128	35,464
	13,010		13,010	15,202
	39,843	1,081	40,924	43,158
	113,168	95,187	208,355	1,580
	546,749		546,749	20,392
	11,658	671,562	683,220	109,477
	9,379	3,153	12,532	6,912
	16,315	17,133	33,448	25,872
	912,163	788,116	1,700,279	317,378
	54,180	40,376	94,556	11,617
	966,343	828,492	1,794,835	328,995
	$ 966,343	**$ 1,814,504**	**$ 2,780,847**	**$ 1,011,836**

TOMPKINS-SENECA-TIOGA BOCES

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	$	11,437,732
Deduct:		
Short-term portion of capital leases		(227,136)
Long-term portion of capital leases		(1,548,776)
Net Investment in Capital Assets	**$**	**9,661,820**

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

Board of Cooperative Educational Services
Tompkins-Seneca-Tioga BOCES
Ithaca, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tompkins Seneca Tioga Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 25, 2017