

# TOMPKINS-SENECA-TIOGA BOCES

Ithaca, New York

FINANCIAL REPORT

June 30, 2018



# TOMPKINS-SENECA-TIOGA BOCES

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Tompkins-Seneca-Tioga Board of Cooperative Educational Services  
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, 2018, 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, 2018, 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.

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

During the year ended June 30, 2018, BOCES adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedule, Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios, Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of BOCES' Proportionate Share of the Net Pension (Asset) Liability, and the related notes to required supplementary information on pages 4-4j and 46-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 54-59 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 26, 2018 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,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 26, 2018

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of Tompkins-Seneca-Tioga BOCES' (BOCES) financial performance for the fiscal year ended June 30, 2018. 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, 2018, BOCES adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(24,335,837). GASB Statement No. 75 requires the BOCES to record its total OPEB liability of \$56,777,532, as well as deferred outflows and deferred inflows related to the OPEB plan.
- BOCES ended the year with a total net (deficit) of \$(48,036,933), an increase of \$3,362,236 from the prior year as restated for the GASB Statement No. 75 implementation. The year end net position was composed of \$1,215,402 in restricted, \$9,528,941 in net investment in capital assets, and \$(58,781,276) in unrestricted net (deficit). The unrestricted net (deficit) increased \$3,225,888 compared to the prior year, primarily because of the change in the OPEB liability and related deferred outflows and inflows of resources of \$2,711,788.
- Expenses exceeded revenues by \$(3,362,236) in 2018, compared to expenses exceeding revenues by \$(4,250,872) in 2017.
- 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 \$(211,153).
- BOCES had \$1,548,776 in outstanding installment purchase debt at year end, a decrease of \$(227,136) from the prior year. This was the result of principal payments on outstanding installment purchase debt.
- General Fund final budgeted appropriations and other financing uses of \$48,369,631 were under spent by \$(6,851,359) in 2018. General Fund revenues and other financing sources exceeded budgetary amounts by \$887,466.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

- Total General Fund reserves, were \$1,214,335 at June 30, 2018; representing a decrease of \$(263) in 2018, as a result of claims paid out of the unemployment reserve.
- Capital asset additions during 2018 amounted to \$266,660 for the purchase of vehicles and equipment. Depreciation expense was \$(620,230) 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, a Schedule of Changes in the BOCES' Total OPEB Liability and Related Ratios 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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

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 BOCES 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, 2018 increased by \$3,362,236. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the BOCES' Governmental Activities.

# TOMPKINS-SENECA-TIOGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total BOCES</i>		<i>Total Dollar Change</i>
	<i>Restated - 2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current assets</i>	\$ 9,079,516	\$ 11,379,292	\$ 2,299,776
<i>Noncurrent assets</i>	5,258,618	4,527,161	(731,457)
<i>Capital assets, net</i>	11,437,732	11,077,717	(360,015)
<b><i>Total Assets</i></b>	<b>25,775,866</b>	<b>26,984,170</b>	<b>1,208,304</b>
<i>Pensions</i>	7,287,056	7,656,978	369,922
<i>Other postemployment benefits</i>	1,174,014	1,268,514	94,500
<b><i>Total Deferred Outflows of Resources</i></b>	<b>8,461,070</b>	<b>8,925,492</b>	<b>464,422</b>
<i>Current liabilities</i>	9,313,824	10,452,305	1,138,481
<i>Noncurrent liabilities</i>	68,947,938	63,092,025	(5,855,913)
<b><i>Total Liabilities</i></b>	<b>78,261,762</b>	<b>73,544,330</b>	<b>(4,717,432)</b>
<i>Pensions</i>	649,871	3,405,246	2,755,375
<i>Other postemployment benefits</i>	-	6,997,019	6,997,019
<b><i>Total Deferred Inflows of Resources</i></b>	<b>649,871</b>	<b>10,402,265</b>	<b>9,752,394</b>
<i>Net investment in capital assets</i>	9,661,820	9,528,941	(132,879)
<i>Restricted</i>	1,218,871	1,215,402	(3,469)
<i>Unrestricted (deficit)</i>	(55,555,388)	(58,781,276)	(3,225,888)
<b><i>Total Net Position (Deficit)</i></b>	<b>\$ (44,674,697)</b>	<b>\$ (48,036,933)</b>	<b>\$ (3,362,236)</b>

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 payments received from school districts for the expected capital project, set to commence in subsequent years, offset by the net pension asset related to TRS of \$421,052. The decrease in capital assets is primarily a result of current year depreciation expense exceeding capital outlay.

The increase in deferred inflows and outflows of resources - pensions, is also related to changes in the actuarially determined proportionate share of the pension systems plans net pension (asset) liability and related deferred outflows and inflows of resources.

Changes in noncurrent liabilities, and deferred outflows of resources - OPEB, are primarily due to current year implementation and recognition of GASB Statement No. 75 and changes from the prior year as restated, based on an actuarial valuation of the BOCES' OPEB plan, along with decreases in the BOCES' proportionate share net pension liabilities and regular principal payments on long-term debt.

The net effect of BOCES' activities resulted in a restricted net (deficit) of \$(48,036,933) at June 30, 2018 compared to \$(44,674,697) at June 30, 2017, 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 \$3,362,236.

# **TOMPKINS-SENECA-TIOGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

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

*Figure 2*

<b>Changes in Net Position</b>	<b>Governmental Activities and BOCES</b>		<b>Total Dollar Change</b>
	<b>2017</b>	<b>2018</b>	<b>2017 - 2018</b>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 39,202,120	\$ 40,548,327	\$ 1,346,207
<i>Operating grants and contributions</i>	1,078,421	1,118,951	40,530
<i>Capital grants</i>			-
<i>General Revenues:</i>			
<i>Use of money and property</i>	36,359	17,554	(18,805)
<i>Refund of prior year's expenses</i>	893,774	757,340	(136,434)
<i>Other general revenues</i>	1,457,393	1,214,001	(243,392)
<b>Total Revenues</b>	<b>\$ 42,668,067</b>	<b>\$ 43,656,173</b>	<b>\$ 988,106</b>
<b>PROGRAM EXPENSES</b>			
<i>Administration</i>	\$ 3,102,934	\$ 3,008,575	\$ (94,359)
<i>Capital</i>	25,120	32,033	6,913
<i>Occupational instruction</i>	5,697,559	5,899,017	201,458
<i>Instruction for special education</i>	12,720,351	12,851,642	131,291
<i>Itinerant services</i>	2,493,321	2,416,097	(77,224)
<i>General instruction</i>	4,822,636	5,126,254	303,618
<i>Instructional support</i>	8,427,223	8,430,672	3,449
<i>Other services</i>	9,162,321	8,749,376	(412,945)
<i>School lunch program</i>	176,825	184,111	7,286
<i>Interest on debt</i>	290,649	320,632	29,983
<b>Total Expenses</b>	<b>\$ 46,918,939</b>	<b>\$ 47,018,409</b>	<b>\$ 99,470</b>
<b>(DECREASE) IN NET POSITION</b>	<b>\$ (4,250,872)</b>	<b>\$ (3,362,236)</b>	<b>\$ 888,636</b>

Total revenues for BOCES' Governmental Activities increased by \$988,106, or 2.3%. The increase in revenues is primarily attributable to increased component school district service revenue. Program expenses increased \$99,470 or 0.2%, primarily due to increased services provided to component school districts.

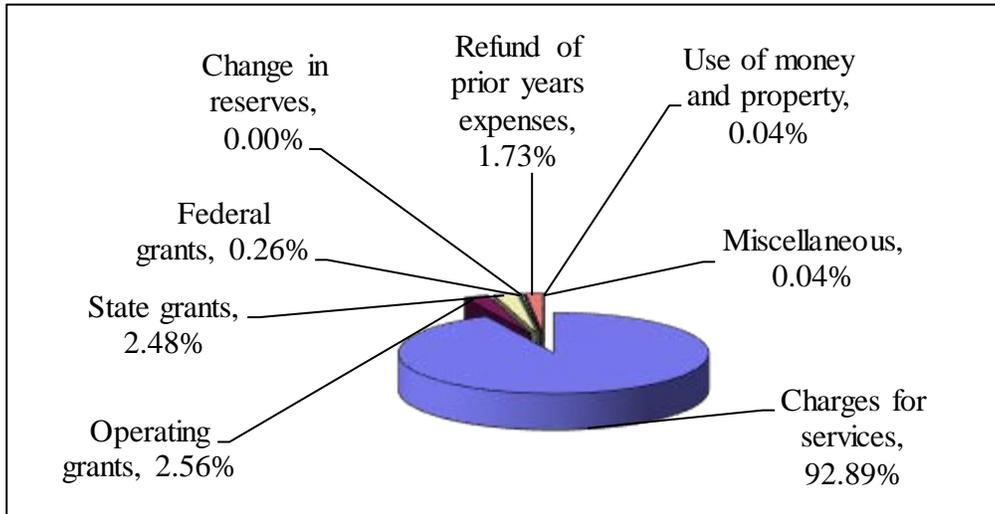
# TOMPKINS-SENECA-TIOGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

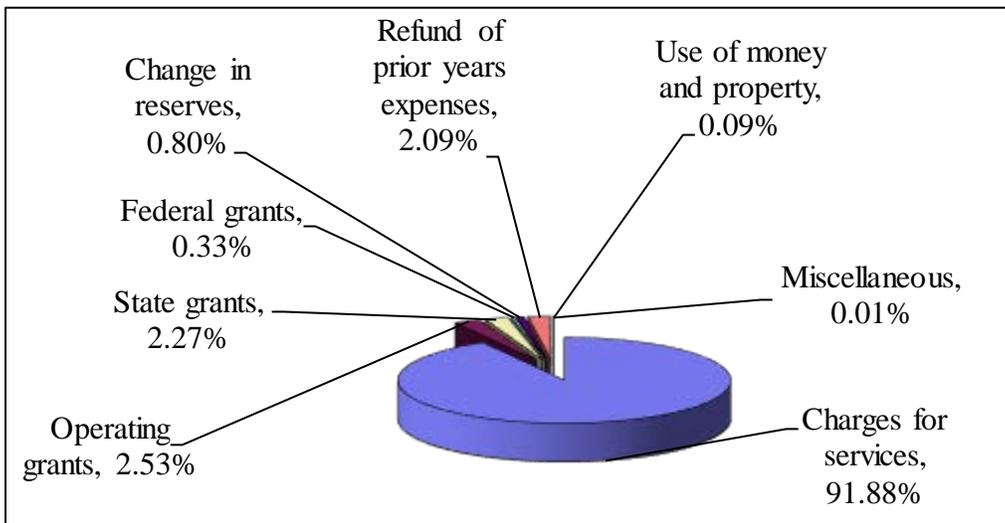
*Figure 3*

*Sources of Revenue for 2018*



*Figure 4*

*Sources of Revenue for 2017*



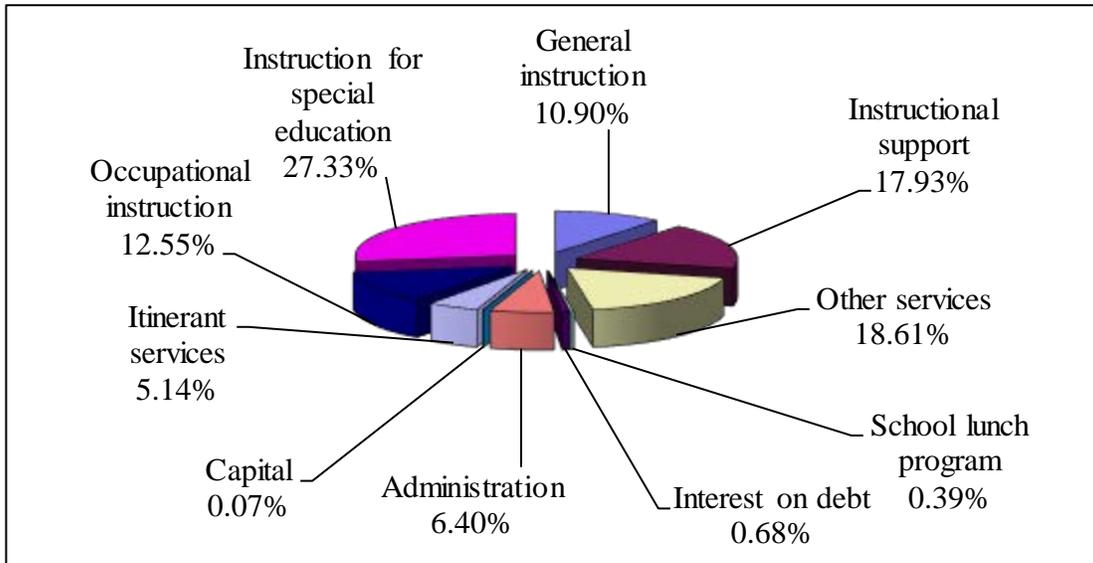
# TOMPKINS-SENECA-TIOGA BOCES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost of each of the BOCES' programs for 2018 and 2017.

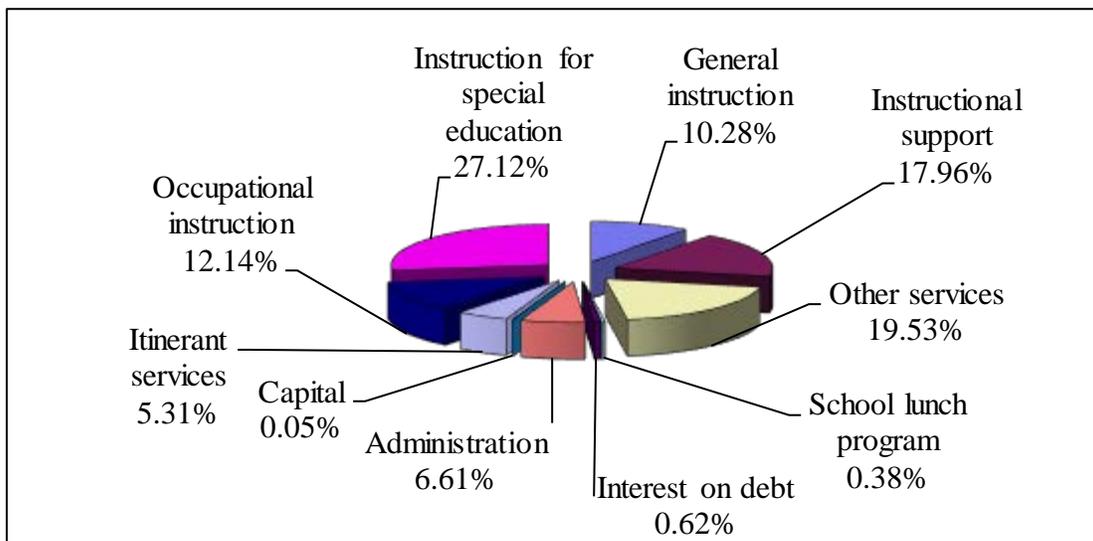
*Figure 5*

*Cost of Programs for 2018*



*Figure 6*

*Cost of Programs for 2017*



# **TOMPKINS-SENECA-TIOGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **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 \$1,224,539, compared to \$1,207,426 in the prior year, which is primarily due to the School Lunch no longer having a deficit fund balance offset by decreases in General Fund unemployment and retirement contribution reserves and Capital Projects Funds fund balance.

*Figure 7*

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017 -2018</i>
<i>General Fund</i>	\$ 1,214,598	\$ 1,214,335	\$ (263)
<i>School Lunch Fund</i>	(11,445)	10,196	21,641
<i>Capital Projects Funds</i>	4,273	8	(4,265)
<b><i>Total Governmental Funds</i></b>	<b>\$ 1,207,426</b>	<b>\$ 1,224,539</b>	<b>\$ 17,113</b>

### **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 and other financing sources exceeded budget by \$887,466, mainly due to refunds of prior year expenses. Expenditures were under-budget by \$(6,851,359), primarily based on fewer school district requests for service than originally anticipated.

# **TOMPKINS-SENECA-TIOGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

**Figure 8**

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Charges to components - Administrative</i>	\$ 4,018,719	\$ 4,018,719	\$ 4,018,719	\$ -
<i>Charges to components - Services</i>	40,271,112	43,019,293	43,019,293	-
<i>Charges to other BOCES and non-components</i>	542,462	1,147,019	1,148,696	1,677
<i>Interest and earnings</i>	75,000	75,000	17,523	(57,477)
<i>Other revenues and financing sources</i>	137,348	109,600	1,052,866	943,266
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 45,044,641</b>	<b>\$ 48,369,631</b>	<b>\$ 49,257,097</b>	<b>\$ 887,466</b>
<b>EXPENDITURES</b>				
<i>Administration</i>	\$ 3,256,203	3,334,804	\$ 2,816,183	518,621
<i>Capital</i>	23,000	27,760	27,760	-
<i>Occupational instruction</i>	5,678,595	5,697,633	5,301,762	395,871
<i>Instruction for special education</i>	13,023,223	13,423,670	11,103,924	2,319,746
<i>Itinerant services</i>	2,662,676	2,716,328	2,146,559	569,769
<i>General instruction</i>	3,937,470	4,346,765	3,837,623	509,142
<i>Instructional support</i>	7,811,767	9,362,811	7,843,137	1,519,674
<i>Other services and financing uses</i>	7,812,091	8,698,244	7,734,053	964,191
<i>Debt service and other financing uses</i>	839,616	761,616	707,271	54,345
<b>Total Expenditures and Other Financing (Uses)</b>	<b>\$ 45,044,641</b>	<b>\$ 48,369,631</b>	<b>\$ 41,518,272</b>	<b>\$ 6,851,359</b>
<b>Excess Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,738,825</b>	<b>\$ 7,738,825</b>

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2018, BOCES had invested in a broad range of capital assets. This amount represents a net decrease of \$(360,015) from last year based on depreciation expense exceeding capital outlay.

# **TOMPKINS-SENECA-TIOGA BOCES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

*Figure 9*

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total BOCES</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Land</i>	\$ 165,708	\$ 165,708	\$ -
<i>Buildings, net</i>	10,436,277	10,031,679	(404,598)
<i>Equipment, net</i>	835,747	880,330	44,583
<b><i>Total</i></b>	<b>\$ 11,437,732</b>	<b>\$ 11,077,717</b>	<b>\$ (360,015)</b>

Capital asset activity for the year ended June 30, 2018 included the following:

Equipment additions	\$ 266,660
Less net book value of disposed assets	(6,445)
Less depreciation expense	<u>(620,230)</u>
<b>Net Decrease in Capital Assets</b>	<b><u>\$ (360,015)</u></b>

### **Debt Administration**

Debt, considered a liability of Governmental Activities, decreased by \$(227,136) in 2018, as a result of installment debt payments made during the year as shown in *Figure 10*.

*Figure 10*

<i>Outstanding Debt</i>	<i>Governmental Activities and Total BOCES</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Installment purchase debt</i>	\$ 1,775,912	\$ 1,548,776	\$ (227,136)
<b><i>Total</i></b>	<b>\$ 1,775,912</b>	<b>\$ 1,548,776</b>	<b>\$ (227,136)</b>

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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018**

### **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 our component school districts could have a negative impact on BOCES.
- BOCES has opened the doors on a brand new program called P-Tech Academy. The program is designed for approximately 20-25 students per grade starting with 9<sup>th</sup> grade and culminating at the end of 6 years with an Associate's degree. The Program is currently housed at one of our Component Schools, but will need to have a permanent residence soon.
- 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 approximately \$8,000,000. The project will be for repair of various items on the campus such as: paving, replacement of original HVAC roof units, replacing original HVAC ducting in various buildings, replacing original buried electrical and natural gas service to each of the buildings, and replacing one roof that has reached the end of its useful life. This project is currently on hold awaiting final grant funding for a substantial portion of the project.
- 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, 2018

### ASSETS

#### Current Assets

Cash and cash equivalents - Unrestricted	\$ 10,289,716
Cash and cash equivalents - Restricted	8
Due from state and federal governments	660,080
Due from school districts, net	257,819
Due from fiduciary funds	1,158
Other receivables, net	161,374
Inventories	9,137
<b>Total Current Assets</b>	<b>11,379,292</b>

#### Noncurrent Assets

Restricted cash	1,215,394
Due from school districts - Capital projects	2,890,715
Capital assets, net:	
Nondepreciable	165,708
Depreciable capital assets, net	10,912,009
Net pension asset - Proportionate share	421,052
<b>Total Noncurrent Assets</b>	<b>15,604,878</b>

<b>Total Assets</b>	<b>26,984,170</b>
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### DEFERRED OUTFLOWS OF RESOURCES

Pensions	7,656,978
Other postemployment benefits	1,268,514
<b>Total Deferred Outflows of Resources</b>	<b>8,925,492</b>

### LIABILITIES

#### Current Liabilities

Due to school districts	7,738,825
Accounts payable	396,276
Accrued liabilities	36,970
Due to other governments	257
Overpayments and collections in advance	321,353
Due to Teachers' Retirement System	902,424
Due to Employees' Retirement System	494,363
Unearned revenues - Other	326,374

#### Current portion of long-term liabilities

Installment purchase debt payable	235,463
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<b>Total Current Liabilities</b>	<b>10,452,305</b>
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*See Independent Auditor's Report and Notes to Basic Financial Statements*

**Noncurrent Liabilities**

Installment purchase debt payable	\$ <u>1,313,313</u>
Compensated absences	<u>323,529</u>
Unearned revenues - Capital projects	<u>4,044,020</u>
Other postemployment benefits liability	<u>56,777,532</u>
Net pension liability - Proportionate share	<u>633,631</u>
<b>Total Noncurrent Liabilities</b>	<u>63,092,025</u>

**Total Liabilities**73,544,330**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>3,405,246</u>
Other postemployment benefits	<u>6,997,019</u>

**Total Deferred Inflows of Resources**10,402,265**NET POSITION**

Net investment in capital assets	<u>9,528,941</u>
Restricted	<u>1,215,402</u>
Unrestricted (deficit)	<u>(58,781,276)</u>

**Total Net (Deficit)****\$ (48,036,933)**

# TOMPKINS-SENECA-TIOGA BOCES

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants		Capital Grants
<b>FUNCTIONS/PROGRAMS</b>					
Administration	\$ 3,008,575	\$ 3,359,080	\$	\$	\$ 350,505
Capital	32,033				(32,033)
Occupational instruction	5,899,017	5,296,075	89,661		(513,281)
Instruction for special education	12,851,642	11,030,372	123,866		(1,697,404)
Itinerant services	2,416,097	2,142,799			(273,298)
General instruction	5,126,254	3,921,346	651,840		(553,068)
Instructional support	8,430,672	7,440,962	70,028		(919,682)
Other services	8,749,376	7,355,051	15,890		(1,378,435)
School lunch program	184,111	2,642	167,666		(13,803)
Interest on debt	320,632				(320,632)
<b>Total Functions and Programs</b>	<b>\$ 47,018,409</b>	<b>\$ 40,548,327</b>	<b>\$ 1,118,951</b>	<b>\$ -</b>	<b>(5,351,131)</b>

### GENERAL REVENUES

Use of money and property	17,554
Sale of property and compensation for loss	8,954
Refund of prior years expenses	757,340
Net change in reserves	(263)
Miscellaneous	1,205,310
<b>Total General Revenues</b>	<b>1,988,895</b>
Change in Net Position	(3,362,236)
Total Net (Deficit) - Beginning of Year, as restated	(44,674,697)
<b>Total Net (Deficit) - End of Year</b>	<b>\$ (48,036,933)</b>

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

# TOMPKINS-SENECA-TIOGA BOCES

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
<b>ASSETS</b>			
Cash and cash equivalents - Unrestricted	\$ 8,919,885	\$ 195,935	20,591
Cash and cash equivalents - Restricted	1,214,335		1,059
Due from other funds	519,561	250	22
Due from fiduciary funds	1,158		
State and federal aid	1,287	658,793	
Due from school districts for services	257,819		
Due from school districts for capital projects			
Other receivables, net	41,923	119,451	
Inventories			9,137
<b>Total Assets</b>	<b>\$ 10,955,968</b>	<b>\$ 974,429</b>	<b>\$ 30,809</b>
<b>LIABILITIES</b>			
Due to school districts	7,738,825		
Accounts payable	379,877	16,399	
Accrued liabilities	3,604	33,366	
Due to other funds	272	517,392	2,169
Due to other governments	130	109	18
Overpayments and collections in advance	315,790	5,563	
Due to Teachers' Retirement System	902,424		
Due to Employees' Retirement System	399,636	76,301	18,426
Unearned revenues	1,075	325,299	
Unearned revenues - Capital projects			
<b>Total Liabilities</b>	<b>9,741,633</b>	<b>974,429</b>	<b>20,613</b>
<b>FUND BALANCES</b>			
Nonspendable			9,137
Restricted	1,214,335		1,059
<b>Total Fund Balances</b>	<b>1,214,335</b>	<b>-</b>	<b>10,196</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,955,968</b>	<b>\$ 974,429</b>	<b>\$ 30,809</b>

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

**Major Funds**

<b>Capital Project Funds</b>		<b>Total</b>
<b>Energy Performance</b>	<b>Building Renovations</b>	<b>Governmental Funds</b>
\$ _____	\$ 1,153,305	\$ 10,289,716
_____	8	1,215,402
_____	_____	519,833
_____	_____	1,158
_____	_____	660,080
_____	_____	257,819
_____	2,890,715	2,890,715
_____	_____	161,374
_____	_____	9,137
<b>\$ _____ -</b>	<b>\$ 4,044,028</b>	<b>\$ 16,005,234</b>
_____	_____	7,738,825
_____	_____	396,276
_____	_____	36,970
_____	_____	519,833
_____	_____	257
_____	_____	321,353
_____	_____	902,424
_____	_____	494,363
_____	_____	326,374
_____	4,044,020	4,044,020
_____ -	4,044,020	14,780,695
_____	_____	9,137
_____	8	1,215,402
_____ -	8	1,224,539
<b>\$ _____ -</b>	<b>\$ 4,044,028</b>	<b>\$ 16,005,234</b>

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018**

**Fund Balances - Total Governmental Funds** **\$ 1,224,539**

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	\$ 22,630,270	
Less accumulated depreciation	<u>(11,552,553)</u>	11,077,717

BOCES' proportionate share of the collective net pension (asset) liability is not reported in the funds.

TRS net pension (asset) - Proportionate share	\$ 421,052	
ERS net pension liability - Proportionate share	<u>(633,631)</u>	(212,579)

Deferred outflows of resources, including OPEB 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 OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred inflows of resources - OPEB	\$ (6,997,019)	
Deferred outflows of resources - OPEB	1,268,514	
TRS deferred inflows of resources - Pension	(1,353,412)	
ERS deferred inflows of resources - Pension	(2,051,834)	
TRS deferred outflows of resources - Pension	5,517,959	
ERS deferred outflows of resources - Pension	<u>2,139,019</u>	(1,476,773)

Long-term liabilities, including installment debt payable, compensated absences, 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	\$ (1,548,776)	
Compensated absences payable	(323,529)	
Other postemployment benefits liability	<u>(56,777,532)</u>	<u>(58,649,837)</u>

**Net (Deficit) of Governmental Activities** **\$ (48,036,933)**

*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, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
<b>REVENUES</b>			
<b>Local sources</b>			
Charges to components - Administrative	\$ 4,018,719	\$	\$
Charges to components - Services	43,019,293		
Charge to other BOCES	1,107,019		
Charges to non-components	41,677		2,642
Interest and earnings	17,523		23
Miscellaneous	120,624		
Refund of prior year's expenses	757,340		
Sales	15,399		
State sources		1,954,637	4,316
Federal sources		293,026	163,350
<b>Total Revenues</b>	<b>49,097,594</b>	<b>2,247,663</b>	<b>170,331</b>
<b>EXPENDITURES</b>			
Administration	2,816,183		
Capital	27,760		
Occupational instruction	5,301,762	89,661	
Instruction for special education	11,103,924	960,133	
Itinerant services	2,146,559		
General instruction	3,837,623	938,159	
Instructional support	7,843,137	259,710	
Cost of sales			49,961
Other services	7,714,078		118,704
<b>Debt service</b>			
Principal	227,136		
Interest	480,135		
Capital outlay			
<b>Total Expenditures</b>	<b>41,498,297</b>	<b>2,247,663</b>	<b>168,665</b>
Excess (Deficiency) of Revenues Over Expenditures	7,599,297	-	1,666
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating transfers in			19,975
Operating transfers (out)	(19,975)		
Premium on obligations	159,503		
Refunds of surplus to districts	(7,738,825)		
Retirement contribution reserve revenue	151		
Retirement contribution reserve expenditures	(1,623)		
Insurance reserve revenue	1,209		
<b>Total Other (Uses) Sources</b>	<b>(7,599,560)</b>	<b>-</b>	<b>19,975</b>
Net Change in Fund Balances	(263)	-	21,641
Fund Balances (Deficit) - Beginning of Year	1,214,598	-	(11,445)
<b>Fund Balances - End of Year</b>	<b>\$ 1,214,335</b>	<b>\$ -</b>	<b>\$ 10,196</b>

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

<b>Major Funds</b>		<b>Total Governmental Funds</b>
<b>Capital Projects Funds</b>		
<b>Energy Performance</b>	<b>Building Renovations</b>	
\$	\$	\$ 4,018,719
		43,019,293
		1,107,019
		44,319
	8	17,554
		120,624
		757,340
		15,399
		1,958,953
		456,376
-	8	51,515,596
		2,816,183
		27,760
		5,391,423
		12,064,057
		2,146,559
		4,775,782
		8,102,847
		49,961
		7,832,782
		227,136
		480,135
10	4,263	4,273
10	4,263	43,918,898
(10)	(4,255)	7,596,698
		19,975
		(19,975)
		159,503
		(7,738,825)
		151
		(1,623)
		1,209
-	-	(7,579,585)
(10)	(4,255)	17,113
10	4,263	1,207,426
<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 1,224,539</b>

# ***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, 2018**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 17,113**

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	\$ 266,660	
Depreciation expense	(620,230)	
Net book value of disposals	<u>(6,445)</u>	(360,015)

Long-term liabilities, such as those associated with debt, compensated absences, 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. In addition, changes in the BOCES' deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are, also, not reported in the Governmental Funds.

Installment debt payment	\$ 227,136	
Net change in compensated absences	(323,529)	
Net change in other postemployment benefits liability	<u>(2,711,788)</u>	(2,808,181)

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	\$ (224)	
TRS	<u>(210,929)</u>	<u>(211,153)</u>

**Net Change in Net Position of Governmental Activities** **\$ (3,362,236)**

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

# **TOMPKINS-SENECA-TIOGA BOCES**

## **STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018**

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents - Unrestricted	\$	\$ 578,936
Cash and cash equivalents - Restricted	<u>2,683</u>	<u></u>
Investments - Restricted	<u>76,793</u>	<u></u>
<b>Total Assets</b>	<u>79,476</u>	<u><u>\$ 578,936</u></u>
<b>LIABILITIES</b>		
Extraclassroom Activity Funds balance	<u></u>	\$ <u>60,481</u>
Due to Governmental Funds	<u></u>	<u>1,158</u>
Other liabilities	<u></u>	<u>517,297</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 578,936</u></u>
<b>NET POSITION</b>		
Reserved for scholarships	\$ <u><u>79,476</u></u>	

*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, 2018**

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 1,175
Investment earnings	138
<b>Total Additions</b>	<u>1,313</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>5,750</u>
<b>Change in Net Position</b>	(4,437)
Net Position - Beginning of Year	<u>83,913</u>
<b>Net Position - End of Year</b>	<u><u>\$ 79,476</u></u>

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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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. 85, "Omnibus 2017."

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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and designation of student management, and the cash and investment balances are reported in the Agency Fund of 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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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.
- **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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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.

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### *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:

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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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 and OPEB in the Government-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB are described in Notes 10 and 11, respectively.

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 and OPEB which are further described in Notes 10 and 11, respectively.

#### **Vested Employee Benefits - Compensated Absences**

Compensated absences consist of unpaid accumulated annual vacation time:

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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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. 75, "Accounting and Financial Reporting 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 11 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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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 Government-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' 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 reports fund balance in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which requires the 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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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

#### **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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***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, 2018:

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ended 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.”
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ended June 30, 2018.

#### **Future Changes in Accounting Standards**

- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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

#### **Future Changes in Accounting Standards - Continued**

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

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 and Concentration of Credit 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 \$13,781,337 are either insured or collateralized with securities held by the pledging financial institution in BOCES’ name.

Restricted cash consists of \$1,214,335 in the General Fund for restricted reserves, \$1,059 restricted for School Lunch Fund, and \$8 restricted for capital projects in the Capital Projects Funds.

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 2 Cash and Cash Equivalents - Custodial and Concentration of Credit 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.

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	\$ <u>76,793</u>	\$ <u>76,793</u>	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.

	<u>Description</u>	<u>Amount</u>
General Fund	Reimbursement for program services	\$ 41,923
Special Aid Fund	Reimbursement for program services	<u>119,451</u>
<b>Total</b>		<b>\$ <u>161,374</u></b>

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 4 Interfund Balances and Activity**

Interfund balances at June 30, 2018, are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Revenues</b>	<b>Interfund Expenditures</b>
General Fund	\$ 519,561	\$ 272	\$	\$ 19,975
Special Aid Fund	250	517,392		
School Lunch Fund	22	2,169	19,975	
<b>Total</b>	<b>\$ 519,833</b>	<b>\$ 519,833</b>	<b>\$ 19,975</b>	<b>\$ 19,975</b>

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, 2018, were as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reclassifications and Disposals</b>	<b>Ending Balance</b>
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	3,559,234	266,660	(8,000)	3,817,894
Total Depreciable Historical Cost	22,205,902	266,660	(8,000)	22,464,562
Total Historical Cost	22,371,610	266,660	(8,000)	22,630,270
Less accumulated depreciation:				
Buildings	(8,210,391)	(404,598)		(8,614,989)
Furniture and equipment	(2,723,487)	(215,632)	1,555	(2,937,564)
Total Accumulated Depreciation	(10,933,878)	(620,230)	1,555	(11,552,553)
<b>Total Historical Cost, Net</b>	<b>\$ 11,437,732</b>	<b>\$ (353,570)</b>	<b>\$ (6,445)</b>	<b>\$ 11,077,717</b>

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 5 Capital Assets - Continued**

Depreciation expense was charged to governmental functions as follows:

Administration	\$	59,217
Occupational instruction		186,254
Instruction for the handicapped		209,686
Itinerant services		1,795
General instruction		2,878
Instructional support		62,260
Other services		<u>98,140</u>
<b>Total Depreciation Expense</b>	<b>\$</b>	<b><u><u>620,230</u></u></b>

**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 \$27,500,000 of RANs during the year in order to provide working capital.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Refinanced/ Redeemed</u>	<u>Ending Balance</u>
RANs	\$	\$ 27,500,000	\$ (27,500,000)	\$
<b>Total</b>	<b>\$</b>	<b>\$ 27,500,000</b>	<b>\$ (27,500,000)</b>	<b>\$ -</b>

Interest expense on short-term debt during the year was:

Interest paid	\$	417,656
Less current year RAN premium		<u>(159,503)</u>
<b>Total</b>	<b>\$</b>	<b><u><u>258,153</u></u></b>

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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)	\$ 1,775,912	\$ _____	\$ (227,136)	\$ 1,548,776	\$ 235,463
<b>Total Long-term Debt</b>	<b>\$ 1,775,912</b>	<b>\$ -</b>	<b>\$ (227,136)</b>	<b>\$ 1,548,776</b>	<b>\$ 235,463</b>

Interest expense on long-term debt during the year was:

Interest paid	\$ 62,479
<b>Total</b>	<b>\$ 62,479</b>

**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, 2018, were approximately \$31,351.

The following is a schedule of future minimum payments under operating leases as of June 30, 2018.

Fiscal Year Ending June 30,	Amount
2019	\$ 18,288
	<b>\$ 18,288</b>

**Classroom Rental**

BOCES negotiates a yearly classroom rental. This is a one year obligation. Total rent paid for 2017-2018 amounted to \$27,760.

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 8 Lease Commitments and Leased Assets**

**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 \$2,430,562 at June 30, 2018.

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, 2018.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Payments</u>
2019	\$ 235,463
2020	244,096
2021	253,045
2022	262,323
2023	271,940
2024	<u>281,909</u>
Minimum Lease Payments	1,548,776
Less: Amounts representing interest at BOCES incremental borrowing rate	<u>(188,913)</u>
<b>Present Value - Minimum Lease Payments</b>	<b><u>\$ 1,359,863</u></b>

**Note 9 Compensated Absences**

Represents unpaid accumulated annual vacation time. This liability is liquidated from the General Fund. 2017-2018 activity consists of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Compensated absences	\$ -	\$ 323,529	\$ -	\$ 323,529
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ 323,529</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 323,529</u></b>

Changes to long-term compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 10* 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 10* 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)**

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

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

#### **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.

# **TOMPKINS-SENECA-TIOGA BOCES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**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:

		<u>ERS</u>		<u>TRS</u>
<b>2018</b>	\$	<b>813,443</b>	\$	<b>1,101,088</b>
2017		814,070		1,372,222
2016		878,315		1,372,953

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/1/2017	6/30/2016
Net pension (asset) liability	\$ 3,227,444,946	\$ 1,071,041,940
BOCES' proportionate share of the		
Plan's total net pension (asset) liability	633,631	(421,052)
BOCES' share of the		
Plan's total net pension (asset) liability	0.0196326%	0.0553940%

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 10 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**

For the year ended June 30, 2018, BOCES recognized pension expense of \$769,262 for ERS and \$1,025,966 for TRS in the Government-wide financial statements. At June 30, 2018 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	\$ 225,996	\$ 346,422	\$ 186,754	\$ 164,164
Changes of assumptions	420,150	4,284,282		
Net differences between projected and actual earnings on pension plan investments	920,299		1,816,577	991,698
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	78,211		48,503	197,550
BOCES' contributions subsequent to the measurement date	494,363	887,255		
<b>Total</b>	<b>\$ 2,139,019</b>	<b>\$ 5,517,959</b>	<b>\$ 2,051,834</b>	<b>\$ 1,353,412</b>

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, 2019. 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
2019	\$ 138,876	\$ 64,829
2020	105,236	1,100,882
2021	(449,689)	778,536
2022	(201,601)	168,758
2023		776,176
Thereafter		388,111

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### *Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

#### Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0%	7.3%
Salary increases	3.8%	1.90% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

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 MP2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

***Note 10*** 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**

	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	(0.3%)	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

**Discount Rate**

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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.

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 10 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 7.25% for TRS, as well as what the BOCES proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
BOCES' proportionate share of the net pension (asset) liability	\$ 4,794,222	\$ 633,631	\$ (2,886,063)

<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
BOCES' proportionate share of the net pension (asset) liability	\$ 7,253,473	\$ (421,052)	\$ (6,848,085)

**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:

	<b>Dollars in Thousands</b>	
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset) liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	<b>\$ 3,227,445</b>	<b>\$ (760,099)</b>
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	(100.7%)

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 10 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 31<sup>st</sup>. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$494,363.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$902,424.

**Effect on Net Position**

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
<b>ERS</b>			
Net pension (asset) liability	\$ 1,810,523	\$ (1,176,892)	\$ 633,631
Deferred outflows of resources	(1,606,728)	(532,291)	(2,139,019)
Deferred inflows of resources	342,427	1,709,407	2,051,834
Subtotal	546,222	224	546,446
<b>TRS</b>			
Net pension (asset) liability	576,356	(997,408)	(421,052)
Deferred outflows of resources	(5,680,328)	162,369	(5,517,959)
Deferred inflows of resources	307,444	1,045,968	1,353,412
Subtotal	(4,796,528)	210,929	(4,585,599)
<b>Total</b>	<b>\$ (4,250,306)</b>	<b>\$ 211,153</b>	<b>\$ (4,039,153)</b>

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Note 11 Postemployment Benefits Other Than Pensions (OPEB)**

During the year ended June 30, 2018 the BOCES implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended 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."

#### **General Information about the OPEB Plan**

Plan Description - BOCES' defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The BOCES provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries	
currently receiving benefit payments	126
Inactive employees entitled to	
but not yet receiving benefit payments	-
Active Employees	<u>325</u>
	<u><u>451</u></u>

#### **Total OPEB Liability**

The BOCES' total OPEB liability of \$56,777,532 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Long-Term Bond Rate	3.6%
Single Discount Rate	3.6%
Salary Scale	3.5%
Rate of Inflation	2.2%
Marriage Rate	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	6.3-7.0% for 2018, decreasing to an ultimate rate of 3.84% for 2077 and later years

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's 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 MP2014, applied on a generational basis.

Election percentage: It was assumed that 95% of future retirees eligible for coverage will elect retiree group benefits. It was assumed that participants who are currently not Medicare eligible will migrate into the Gold Anywhere PPO with MVP Part D Prescription Plan upon Medicare eligibility. Retirees already Medicare eligible and still participating in NY44 are assumed to continue in NY44.

Spousal Coverage: It was assumed that 80% of future retirees will elect spousal coverage upon retirement.

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018\_c (the Getzen model).

The actuarial assumptions used in the June 30, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued**

**Changes in Total OPEB Liability**

		<b>Total OPEB Liability</b>
<b>Balance at June 30, 2017</b>	\$	<u>60,968,263</u>
<b>Changes for the Year</b>		
Service cost		3,340,211
Interest cost		1,816,061
Changes in assumptions or other inputs benefit payments		(8,172,989)
Benefit payments		<u>(1,174,014)</u>
		<u>(4,190,731)</u>
<b>Balance at June 30, 2018</b>	\$	<u><u>56,777,532</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	<b>1% Decrease (2.60%)</b>		<b>Discount Rate (3.60%)</b>		<b>1% Increase (4.60%)</b>
Total OPEB Liability \$	<u>68,032,335</u>	\$	<u>56,777,532</u>	\$	<u>47,956,217</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	<b>1% Decrease</b>		<b>Healthcare Cost Trend Rate</b>		<b>1% Increase</b>
Total OPEB Liability \$	<u>47,611,821</u>	\$	<u>56,777,532</u>	\$	<u>69,057,204</u>

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued**

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

For the year ended June 30, 2018, BOCES recognized OPEB expense of \$3,980,302.

At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	(6,997,019)
Contributions subsequent to measurement date	1,268,514	-
<b>Total</b>	<b>\$ 1,268,514</b>	<b>\$ (6,997,019)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Amount</b>
2019	\$ (1,175,970)
2020	(1,175,970)
2021	(1,175,970)
2022	(1,175,970)
2023 and thereafter	(2,293,139)

**Effect on Net Position**

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
OPEB liability	\$ 60,968,263	\$ (4,190,731)	\$ 56,777,532
Deferred outflows of resources	(1,174,014)	(94,500)	(1,268,514)
Deferred inflows of resources	-	6,997,019	6,997,019
<b>Total</b>	<b>\$ 59,794,249</b>	<b>\$ 2,711,788</b>	<b>\$ 62,506,037</b>

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 12* 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 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 \$3,928,601 for the year ended June 30, 2018. Financial statements for the Plan can be obtained by contacting the BOCES Business Office.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 12* Commitments and Contingencies - Continued**

#### **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 \$231,436 for the year ended June 30, 2018. Financial statements for the Plan can be obtained by contacting the BOCES Business Office.

#### **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.

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Note 13 Fund Balance Detail**

At June 30, 2018, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	<b>General Fund</b>	<b>School Lunch Fund</b>	<b>Capital Project Funds - Bldg D</b>
<b>Nonspendable</b>			
Inventory	\$	\$ 9,137	\$
<b>Total Nonspendable Fund Balance</b>	<b>\$ -</b>	<b>\$ 9,137</b>	<b>\$ -</b>
<b>Restricted</b>			
Unemployment insurance reserve	\$ 188,108	\$	\$
Retirement contribution reserve	1,026,227		
School lunch		1,059	
Capital project funds - Bldg D			8
<b>Total Restricted Fund Balance</b>	<b>\$ 1,214,335</b>	<b>\$ 1,059</b>	<b>\$ 8</b>

**Note 14 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, 2018 of the reserve was as follows:

<b>General Fund</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Interest Earned</b>	<b>Appropriated</b>	<b>Ending Balance</b>
Unemployment insurance reserve	\$ 189,580	\$	\$ 151	\$ (1,623)	\$ 188,108
Retirement contribution reserve	1,025,018		1,209		1,026,227
<b>Total</b>	<b>\$ 1,214,598</b>	<b>\$ -</b>	<b>\$ 1,360</b>	<b>\$ (1,623)</b>	<b>\$ 1,214,335</b>

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### ***Note 15* Stewardship, Compliance, Accountability**

#### **Deficit Net Position**

At June 30, 2018 the Government-wide Statement of Net Position had an unrestricted deficit net position of \$(58,781,276). This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

### ***Note 16* Restatement**

The BOCES' June 30, 2017 net position has been restated to reflect the following:

<b>Net Position (Deficit) Beginning of Year</b>	\$ (20,338,860)
<b>GASB Statement No. 75 Implementation</b>	
Beginning OPEB plan liability	(25,509,851)
Beginning OPEB deferred outflows of resources	<u>1,174,014</u>
<b>Net Position (Deficit) Beginning of Year, as Restated</b>	<b>\$ <u><u>(44,674,697)</u></u></b>

# TOMPKINS-SENECA-TIOGA BOCES

## SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET (NON-GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
<b>Local Sources</b>		
Charges to components - Administrative	\$ 4,018,719	\$ 4,018,719
Charges to components - Services	40,271,112	43,019,293
Charge to other BOCES	502,462	1,107,019
Charges to non-components	40,000	40,000
Interest and earnings	75,000	75,000
Miscellaneous	137,348	109,600
Refund of prior year's expenses	-	-
Sales	-	-
<b>Total Local Sources</b>	45,044,641	48,369,631
<b>Total Revenues</b>	45,044,641	48,369,631
<b>EXPENDITURES</b>		
Administration	3,256,203	3,334,804
Capital	23,000	27,760
Occupational instruction	5,678,595	5,697,633
Instruction for special education	13,023,223	13,423,670
Itinerant services	2,662,676	2,716,328
General instruction	3,937,470	4,346,765
Instructional support	7,811,767	9,362,811
Other services	7,812,091	8,698,244
Debt service		
Principal	219,103	227,136
Interest	620,513	534,480
<b>Total Expenditures</b>	45,044,641	48,369,631
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers (out)	-	-
Premium on obligations	-	-
Refunds of surplus to districts	-	-
Retirement contribution reserve revenue	-	-
Retirement contribution reserve expenditures	-	-
Insurance reserve revenue	-	-
<b>Total Other Financing (Uses)</b>	-	-
<b>Net Change in Fund Balance</b>	\$ -	\$ -

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,018,719	\$	\$ -
43,019,293		-
1,107,019		-
41,677		1,677
17,523		(57,477)
120,624		11,024
757,340		757,340
15,399		15,399
49,097,594	-	727,963
49,097,594	-	727,963
2,816,183		518,621
27,760		-
5,301,762		395,871
11,103,924		2,319,746
2,146,559		569,769
3,837,623		509,142
7,843,137		1,519,674
7,714,078		984,166
227,136		-
480,135		54,345
41,498,297	-	6,871,334
(19,975)		(19,975)
159,503		159,503
(7,738,825)		(7,738,825)
151		151
(1,623)		(1,623)
1,209		1,209
(7,599,560)	-	(7,599,560)
\$ <u>(263)</u>	\$ -	\$ <u>(263)</u>

# TOMPKINS-SENECA-TIOGA BOCES

## SCHEDULE OF CHANGES IN THE BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 3,340,211	\$ *	\$ *
Interest cost	1,816,061	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	-	*	*
Changes in assumptions or other inputs	(8,172,989)	*	*
Benefit payments	(1,174,014)	*	*
	(4,190,731)	*	*
Total OPEB Liability - Beginning	60,968,263	*	*
<b>Total OPEB Liability - Ending</b>	<b>\$ 56,777,532</b>	<b>\$ 60,968,263</b>	<b>\$ *</b>
Covered employee payroll	18,363,141	*	*
Total OPEB Liability as a Percentage of Covered Payroll	309%	*	*

\* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

*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**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ <b>813,443</b>	\$ 814,070	\$ 878,315
Contributions in relation to the contractually required contribution	<u><b>(813,443)</b></u>	<u>(814,070)</u>	<u>(878,315)</u>
Contribution deficiency (excess)	-	-	-
BOCES' covered payroll or year ending June 30,	<b>5,678,036</b>	5,523,032	5,407,570
Contributions as a percentage of covered payroll	<b>14.3%</b>	14.7%	16.2%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ <b>887,255</b>	\$ 1,101,088	\$ 1,372,222
Contributions in relation to the contractually required contribution	<u><b>(887,255)</b></u>	<u>(1,101,088)</u>	<u>(1,372,222)</u>
Contribution deficiency (excess)	-	-	-
BOCES' covered payroll or year ending June 30,	<b>9,053,622</b>	9,394,949	10,348,582
Contributions as a percentage of covered payroll	<b>9.8%</b>	11.7%	13.3%

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

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,042,045	\$ 1,041,653	\$ 937,601	\$ 847,337	\$ 615,940	\$ 330,533	\$ 398,198
<u>(1,042,045)</u>	<u>(1,041,653)</u>	<u>(937,601)</u>	<u>(847,337)</u>	<u>(615,940)</u>	<u>(330,533)</u>	<u>(398,198)</u>
-	-	-	-	-	-	-
5,534,413	5,494,352	5,403,690	5,433,039	5,373,299	5,043,373	4,881,417
18.8%	19.0%	17.4%	15.6%	11.5%	6.6%	8.2%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,372,953	\$ 859,636	\$ 831,385	\$ 643,020	\$ 485,790	\$ 582,111	\$ 657,875
<u>(1,372,953)</u>	<u>(859,636)</u>	<u>(831,385)</u>	<u>(643,020)</u>	<u>(485,790)</u>	<u>(582,111)</u>	<u>(657,875)</u>
-	-	-	-	-	-	-
7,832,019	5,290,068	7,021,833	5,787,759	5,635,615	9,404,055	8,622,215
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

# 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,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension (asset) liability	<b>0.0196326%</b>	0.0192686%	0.0206197%	0.0213450%
BOCES' proportionate share of the net pension (asset) liability	\$ <b>633,631</b> \$	1,810,523 \$	3,309,250 \$	721,085
BOCES' covered payroll	<b>5,610,584</b>	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	<b>11.3%</b>	33.0%	62.4%	12.9%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>98.2%</b>	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,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension (asset) liability	<b>0.055394%</b>	0.053813%	0.052111%	0.051726%
BOCES' proportionate share of the net pension (asset) liability	\$ <b>(421,052)</b> \$	576,356 \$	(5,412,721) \$	(5,761,991)
BOCES' covered payroll	<b>9,394,949</b>	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	<b>(4.5%)</b>	5.6%	(69.1%)	(108.9%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>(100.7%)</b>	99.0%	(110.5%)	(111.5%)

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

# TOMPKINS-SENECA-TIOGA BOCES

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

### *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	\$ 2,748,181
Other BOCES contractual adjustments	604,557
Miscellaneous local sources	<u>(27,748)</u>
<b>Total Revisions</b>	<b><u>\$ 3,324,990</u></b>

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, 2018. There were no encumbrances at June 30, 2018.

### *Note 3* **Schedule of Changes in the BOCES' Total OPEB Liability and Related Ratios**

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.60%  
2017 - 2.85%

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

- 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 four 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.

#### **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, 2017 actuarial valuation.

#### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. 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	Five-year phase 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%
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

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

### ***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%.

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 upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, 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.

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

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

**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 BOCES' Contributions.

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	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.										
Inflation	2.5%										
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="border-bottom: 1px solid black; padding: 5px;"><b>Service</b></th> <th style="border-bottom: 1px solid black; padding: 5px;"><b>Rate</b></th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">5</td> <td style="padding: 5px;">4.72%</td> </tr> <tr> <td style="padding: 5px;">15</td> <td style="padding: 5px;">3.46%</td> </tr> <tr> <td style="padding: 5px;">25</td> <td style="padding: 5px;">2.37%</td> </tr> <tr> <td style="padding: 5px;">35</td> <td style="padding: 5px;">1.90%</td> </tr> </tbody> </table>	<b>Service</b>	<b>Rate</b>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<b>Service</b>	<b>Rate</b>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Investment rate of return	7.50% compounded annually, net of investment expenses, including inflation.										
Cost of living adjustments	1.5% compounded annually										

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	<u>2018</u>	<u>2017</u>
July 1, - (Credit) Balance	\$ <u>(6,711,171)</u>	\$ <u>(5,352,190)</u>
<b>Debits</b>		
Billings to school districts	<u>48,145,031</u>	<u>45,894,706</u>
Refund of balances due school districts	<u>6,835,069</u>	<u>5,546,291</u>
<b>Total Debits</b>	<u>54,980,100</u>	<u>51,440,997</u>
<b>Credits</b>		
Collection from school districts	<u>48,011,110</u>	<u>45,964,909</u>
Adjustment - Credits to school districts - revenues in excess of expenditures	<u>7,738,825</u>	<u>6,835,069</u>
<b>Total Credits</b>	<u>55,749,935</u>	<u>52,799,978</u>
<b>June 30, - (Credit) Balance</b>	<b>\$ <u><u>(7,481,006)</u></u></b>	<b>\$ <u><u>(6,711,171)</u></u></b>
Balance Represented by:		
Due from school districts, net	\$ <u>257,819</u>	\$ 123,898
Refunds due school districts	<u>(7,738,825)</u>	<u>(6,835,069)</u>
<b>Total</b>	<b>\$ <u><u>(7,481,006)</u></u></b>	<b>\$ <u><u>(6,711,171)</u></u></b>

*See Independent Auditor's Report*

# TOMPKINS-SENECA-TIOGA BOCES

## SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Interfund Transfer	
EPC Lease Purchase	\$ 2,888,955	\$ 3,345,155	\$ 3,345,260	\$ 10		\$ 3,345,270
Building D Renovations #61-90-020-00-011-007	1,100,000	1,100,000	695,737	4,263		700,000
Administration Building A Renovations #61-90-00-00-1-001-007	1,069,136	1,069,136				
Powell Building B Renovations #61-90-00-00-009-008	1,248,735	1,248,735				
Career and Tech Building C Renovations #61-90-00-00-010-009	255,385	255,385				
Occ Ed Building D Renovations #61-90-00-00-011-008	843,839	843,839				
Special Ed Building E Renovations #61-90-00-00-012-012	4,461,575	4,461,575				
Greenhouse Building F Renovations #61-90-00-00-008-006	6,965	6,965				
Maintenance Building G Renovations #61-90-00-00-2-007-005	158,385	158,385				
<b>Total</b>	<b>\$ 12,032,975</b>	<b>\$ 12,489,175</b>	<b>\$ 4,040,997</b>	<b>\$ 4,273</b>	<b>-</b>	<b>\$ 4,045,270</b>

See Independent Auditor's Report

<b>Unexpended Balance</b>	<b>Methods of Financing</b>			<b>Total</b>	<b>Fund Balance June 30, 2018</b>
	<b>Proceeds of Obligations</b>	<b>Federal Aid</b>	<b>Local Sources</b>		
\$ -	\$ 2,888,955	\$ 139,704	\$ 316,611	\$ 3,345,270	\$ -
400,000			700,008	700,008	8
1,069,136					-
1,248,735					-
255,385					-
843,839					-
4,461,575					-
6,965					-
158,385					-
<b>\$ 8,444,020</b>	<b>\$ 2,888,955</b>	<b>\$ 139,704</b>	<b>\$ 1,016,619</b>	<b>\$ 4,045,278</b>	<b>\$ 8</b>

# TOMPKINS-SENECA-TIOGA BOCES

## SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES COMPARED TO BUDGET FOR THE YEAR ENDED JUNE 30, 2018

	REVENUES			
	Original Budget	Final Budget	Current Year's Revenues	Over (Under) Final Budget
Administration 001	\$ 4,119,719	\$ 4,124,479	\$ 4,071,326	\$ (53,153)
Capital 002				-
Occupational Instruction 100-199	5,678,595	5,697,633	5,704,996	7,363
Instruction for Special Education 200-299	13,023,223	13,423,670	13,496,722	73,052
Itinerant 300-399	2,662,676	2,716,328	2,720,088	3,760
General Instruction 400-499	3,937,470	4,346,766	4,351,087	4,321
Instructional Support 500-599	7,810,869	9,362,511	9,738,748	376,237
Other Services 600-699	7,812,089	8,698,244	9,014,627	316,383
<b>Total</b>	<b>\$ 45,044,641</b>	<b>\$ 48,369,631</b>	<b>\$ 49,097,594</b>	<b>\$ 727,963</b>

**Excess Revenues**

*See Independent Auditor's Report*

**EXPENDITURES**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
\$ 4,095,819	\$ 4,096,420	\$ 3,523,454	\$	\$ 572,966
23,000	27,760	27,760		-
5,678,595	5,697,633	5,301,762		395,871
13,023,223	13,423,670	11,103,924		2,319,746
2,662,676	2,716,328	2,146,559		569,769
3,937,470	4,346,765	3,837,623		509,142
7,811,767	9,362,811	7,843,137		1,519,674
7,812,091	8,698,244	7,714,078		984,166
<b>\$ 45,044,641</b>	<b>\$ 48,369,631</b>	41,498,297	\$ -	<b>\$ 6,871,334</b>
		<b>\$ 7,599,297</b>		

# TOMPKINS-SENECA-TIOGA BOCES

## SPECIALLY AIDED PROGRAMS FEDERALLY ASSISTED PROGRAMS BUDGET COMPARISON STATEMENT PROJECTS OPEN AT JUNE 30, 2018

	<b>Federal CFDA #</b>	<b>Project Number</b>	<b>Original Award Program</b>	<b>Revised Budget</b>
<b>U.S. Department of Education</b>				
AEA Title II, WIA	84.002	2338-18-2099	\$ 90,000	\$ 90,000
Career and Technical Education - Basic Grants to States (Formerly VATEA)	84.048	8000-18-0009	92,023	90,231
IDEA - CDOS	84.027A	0031-18-0027	298,595	298,595
<b>Total U.S. Department of Education</b>			480,618	478,826
Total Federal Assistance - Open Projects			480,618	478,826
<b>U.S. Department of Education</b>				
AEA Title II, WIA	84.002	2338-17-2099	\$ 90,000	\$ 89,988
Career and Technical Education - Basic Grants to States (Formerly VATEA)	84.048	8000-17-0009	92,023	92,022
IDEA - CDOS	84.027A	0031-17-0027	298,595	140,095
Total Federal Assistance - Closed Projects			480,618	322,105
<b>Total Federal Assistance - Open and Closed Projects</b>			<b>\$ 961,236</b>	<b>\$ 800,931</b>

*See Independent Auditor's Report*

<b>Expenditures</b>			
<b>Prior Year</b>	<b>Current Year</b>	<b>Total</b>	<b>Unexpended (Overexpended)</b>
\$	\$ 89,475	\$ 89,475	\$ 525
	89,661	89,661	570
	<u>113,890</u>	<u>113,890</u>	<u>184,705</u>
<u>-</u>	<u>293,026</u>	<u>293,026</u>	<u>185,800</u>
<u>-</u>	<u>293,026</u>	<u>293,026</u>	<u>185,800</u>
89,988		89,988	-
92,022		92,022	-
<u>140,095</u>		<u>140,095</u>	<u>-</u>
<u>322,105</u>	<u>-</u>	<u>322,105</u>	<u>-</u>
<u><b>\$ 322,105</b></u>	<u><b>\$ 293,026</b></u>	<u><b>\$ 615,131</b></u>	<u><b>\$ 185,800</b></u>

# TOMPKINS-SENECA-TIOGA BOCES

## SPECIALLY AIDED PROGRAMS STATE AND OTHER GRANT PROGRAMS BUDGET COMPARISON STATEMENT PROJECTS OPEN AT JUNE 30, 2018

<u>Grantor Title/ Pass - Through Grantor</u>	<u>Grantor's Project No.</u>	<u>Original Award Program</u>	<u>Revised Budget</u>
<b>NYS Dept. of Education</b>			
IDEA, Part B, SESIS	CO012203	\$ 182,737	\$ 182,737
Youth Development	N/A	-	62,540
Learning Technology	0647-18-0041	49,592	49,592
School Library	0365-18-0035	87,709	90,656
School Library Extra	0364-18-0035	5,326	5,326
School Library Supplemental	0317-18-1035	46,023	43,142
Pathways in Technology	N/A	-	16,025
Energy Savings Project	N/A	-	70,000
Youth Action Program	N/A	18,934	18,934
Drug Free Rollover	N/A	79,534	79,534
Employment Preparation Education	SA4320	556,515	619,327
Adult Education Tuition (EPE)	N/A	150,000	150,750
Summer School	N/A	7,647	34,704
Food Stamps	N/A	20,666	36,000
Tompkins County Justice	N/A	-	55,006
<b>Total NYS Dept. of Education</b>		1,204,683	1,514,273
<b>NYS OASAS</b>			
Youth Development	N/A	106,657	106,657
<b>Total Open New York State Projects</b>		1,311,340	1,620,930
<b>CLOSED NYS PROJECTS AT JUNE 30, 2018</b>			
<b>NYS Dept. of Education</b>			
IDEA, Part B, SESIS	C010290	\$ 354,452	\$ 138,415
Youth Development	N/A	33,705	3,282
Learning Technology	0647-17-0041		25,018
School Library	0365-17-0035	84,082	48,211
School Library Extra	0317-17-0035	5,327	3,031
School Library Supplemental	0317-17-1035	44,120	85,746
School Library Automation	0364-17-0035	8,408	11,373
Youth Action Program	N/A	21,581	2,647
Drug Free Rollover	N/A	79,936	403
Employment Preparation Education	SA4320	539,900	527,982
Adult Education Tuition (EPE)	N/A	114,200	112,001
Summer School	N/A	769,157	723,474
Food Stamps	N/A	36,000	15,334
Tompkins County Justice	N/A	22,588	53,733
<b>Total NYS Dept. of Education</b>		2,113,456	1,750,650
<b>NYS OASAS</b>			
Youth Development	N/A	212,346	100,850
<b>Total Closed New York State Projects</b>		2,325,802	1,851,500
<b>TOTAL NEW YORK STATE</b>		\$ 3,637,142	\$ 3,472,430

See Independent Auditor's Report

	Expenditures		Unexpended (Overexpended)	
	Prior Year	Current Year		Total
\$		\$ 123,866	\$ 123,866	\$ 58,871
		15,687	15,687	46,853
		39,967	39,967	9,625
		61,748	61,748	28,908
		405	405	4,921
		-	-	43,142
		15,890	15,890	135
		-	-	70,000
		-	-	18,934
		3,973	3,973	75,561
		558,140	558,140	61,187
		111,948	111,948	38,802
		33,422	33,422	1,282
		25,987	25,987	10,013
		38,651	38,651	16,355
	-	1,029,684	1,029,684	484,589
		59,465	59,465	47,192
	-	1,089,149	1,089,149	531,781
\$	138,415	\$	\$ 138,415	\$ -
	3,282		3,282	-
	25,018		25,018	-
	48,211		48,211	-
	3,031		3,031	-
	19,595	66,151	85,746	-
	3,498	7,875	11,373	-
	2,647		2,647	-
	403		403	-
	527,982		527,982	-
	112,001		112,001	-
	7,562	715,912	723,474	-
	15,334		15,334	-
	22,588	31,145	53,733	-
	929,567	821,083	1,750,650	-
	56,445	44,405	100,850	-
	986,012	865,488	1,851,500	-
\$	<u>986,012</u>	<u>1,954,637</u>	<u>2,940,649</u>	<u>531,781</u>

# ***TOMPKINS-SENECA-TIOGA BOCES***

## **SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018**

Capital assets, net	\$ <u>11,077,717</u>
Short-term portion of capital leases	<u>(235,463)</u>
Long-term portion of capital leases	<u>(1,313,313)</u>
<b>Net Investment in Capital Assets</b>	<b>\$ <u>9,528,941</u></b>

*See Independent Auditor's Report*

**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 Education  
Tompkins Seneca Tioga Board of Cooperative Educational Services  
Ithaca, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tompkins Seneca Tioga Board of Cooperative Educational Services (BOCES), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated September 26, 2018.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 26, 2018